PROGRESS SINCE 9/11: THE EFFECTIVENESS OF THE U.S. ANTI-TERRORIST FINANCING EFFORTS

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

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PROGRESS SINCE 9/11: THE EFFECTIVENESS OF THE U.S. ANTI-TERRORIST FINANCING EFFORTS

Tuesday, March 11, 2003

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:08 p.m., in Room 2128, Rayburn House Office Building, Hon. Sue W. Kelly [chairwoman of the subcommittee] presiding

Present: Representatives Kelly, Garrett, Murphy, Brown-Waite, Gutierrez, Inslee, Crowley, Hinojosa, Lynch, and Oxley (ex-officio).

Chairwoman KELLY. Good afternoon. Thank you all for being here.

In 1993, when terrorists set off a bomb in the garage of the World Trade Center with the intention of killing thousands of innocent people and disrupting the international financial system, Americans saw for the first time the planning and organizational capabilities of the worldwide Islamic terrorist network.

Since then and throughout the 1990s, terrorist forces continued their agenda of senseless killing by bombing the U.S. Marines Khobar Tower barracks in Saudi Arabia, U.S. embassies in two African countries, and the USS Cole, resulting in hundreds of deaths.

Sadly, policymakers at that time underestimated the enemy's strength, skill, and fervor, and failed to treat these events as interconnected parts of a war for which the enemy had been preparing since the mid- to late-1980s.

And then, on September 11, 2001, the enemy's attacks had horrifying results with the loss of close to 3,000 Americans with the attacks on New York and Washington and the plane in Pennsylvania. September 11th also exposed the vulnerabilities of our Nation's financial system and how our free and open American way of life is used by the terrorists to further their war against America.

None of these attacks would have been possible without money, and we are now just learning the extent of how and where terrorists get the money they need to attack our country. The terrorists have developed a powerful fund-raising machine right here in America, cynically using charities and religious institutions to murderous effect. The terrorists' effects have yielded a moral harvest of blood money aimed not at helping the needy, but used instead to fuel deadly violence against Americans.

Although we are making progress in the war against terrorist financing here and throughout the world, the enemy is smart, resourceful, numerous, and changes tactics frequently. When there is a weakness in our system, terrorists will find it and exploit it. One day they use phony charities, and the next, businesses as fronts for smuggling bulk cash, and the next day, coupon fraud.

Efforts since September 11th including the passage and enforcement of the USA PATRIOT Act have resulted in numerous arrests in this area. From New York to Michigan to Florida to Texas, Federal authorities have disrupted this network, slowing the flow of money to America's enemies.

I am sure I speak on behalf of all the members of the committee when I congratulate the law enforcement team represented on our first panel for their role in the March 1st capture of Khalid Shaikh Mohammed, the financial mastermind of al-Qaeda and the planner of the September 11th attacks. It is my hope that this significant development will allow law enforcement to piece together a money trail to help us tighten the noose on Osama bin Laden and break up the al-Qaeda network.

Our principal focus today will be the activities of various groups and charities in the U.S. which have been raising money on behalf of terrorist groups such as al-Qaeda, the Palestinian Islamic Jihad, Hamas, Hezbollah, and other members of the global terrorist network. The charities have warm, caring names like the Benevolence Foundation, the Holy Land Foundation, and Global Relief Foundation, but their intentions are anything but benevolent.

Federal agents and prosecutors continue to ferret out illegal transfers of funds from these groups allegedly aimed to support terrorist activities. Just last week, it was discovered that a Brooklyn mosque may have helped funnel millions of dollars to al-Qaeda. The leader of the effort, a Yemeni cleric, boasted that he had personally delivered $20 million to Osama bin Laden.

On February 28th, five men were sentenced for providing material support to Hezbollah through a cigarette smuggling scheme. On February 26th, five men were indicted in New York and Idaho for conspiring to illegally raise and send $2.7 million to Iraq through the Help the Needy charity.

Also, on February 26th, 16 men were arrested for fraudulently redeeming more than $4.5 million in coupons from five States. The funds were laundered through a Yonkers, New York, check-cashing business and sent to the West Bank.

On February 20th, four members of the Palestinian Islamic Jihad terrorist group were indicted and four others arrested on a total of 50 counts, including fraudulently raising money and illegal material support and wire transfers. Among the four arrested was Sami Al-Arian, a professor at the University of South Florida.

The indictment alleges that the defendants used U.S. locations as the North American base for Islamic Jihad. On December 18th, a senior member of Hamas, his wife, and five brothers working at a Texas computer company, were indicted for money laundering. One of the brothers, Ghassan Elashi, was also vice president of the Holy Land Foundation, which the Treasury Department closed in December of 2001 for serving as a Hamas front.

It is clear terrorists have learned to use our wealth and goodwill against us. My fear is, despite the fact that we have made these important arrests, this is only the tip of the iceberg.

And then there is Saddam Hussein. There is plenty of evidence linking terrorists such as Hamas, Hezbollah, al-Qaeda to Saddam Hussein. Hamas opened an office in Baghdad in 1999, and Iraq has hosted conferences attended by the Palestinian Islamic Jihad.

Published reports cite U.S. intelligence officials as sources for recent reports that Saddam Hussein might subcontract to Hezbollah and Hamas a terrorist strike here in the United States or abroad. And recently, before Congress, CIA Director George Tenet testified that Hezbollah has been casing and surveilling American facilities. According to Secretary of State Colin Powell, a senior al-Qaeda associate Abu Musab al-Zarqawi moved his poison and explosives operation from Afghanistan to northeastern Iraq after U.S. forces liberated Afghanistan.

This information is disturbing on its own. It is even more disturbing to know that millions of dollars may have been raised through a mosque in Brooklyn, schemes in Detroit, or North Carolina or elsewhere in the United States, to advance the efforts to help al-Qaeda, Hamas, and others who wage war against America.

At today's hearing, we will review the charities and schemes that have allegedly been used by groups to aid terrorists and the counter measures that law enforcement has employed to smoke out and prosecute the enemy's allies. Our experts on our second panel work with law enforcement and can further tie together for us the domestic groups, the schemes, and the terrorists they help. Both panels, I hope, will provide some important lessons from these cases for the financial community and for this committee as we consider potential amendments to the USA PATRIOT Act. If another attack on America occurs, it will have been funded at least in part right here on American shores.

We need to know how the enemy funds its operations here and now, and we need to know how to stop it, and that is the focus of today's hearing.

I thank you all for being here today. I turn now to the chairman of the committee, Mr. Oxley.

Mr. OXLEY. I thank the chairlady, and I would like to take this opportunity to offer my thanks and appreciation to you for holding this particularly timely hearing.

The issue of terrorist financing has become one of critical importance to our Nation, dating from the 1993 bombing of the World Trade Center. The hearing this afternoon will serve two distinct purposes. The first is to share with the members of this subcommittee how our government has been able to successfully block the efforts of terrorists whose goal is to destroy America, and secondly, to find ways to improve the USA PATRIOT Act.

As you know, much of the legislative language drafted by the Financial Services Committee was incorporated into the USA PATRIOT Act and signed into law by the President in November of 2001. Law enforcement's efforts have, by necessity, not ended there, however, for as we have seen, nearly every blocking and freezing of suspected terrorist funds has been met with new and in-

sidious efforts to render such protocols both outdated and outmoded.

While I am justifiably proud of this committee's efforts to date, I am also not unmindful that improvements and refinements will be necessary and needed. Our enemies are determined to pursue their ruinous efforts to bring our great Nation to its knees. For that reason, we are resolved to put into the hands of our law enforcement agencies all of the weapons that they will need to deal successfully with the ongoing threat of these terrorist activities within our borders.

To that end, I again thank the chairlady for her focus on this critical effort and her good work today and in the future, and I yield back.

Chairwoman KELLY. Thank you very much, Mr. Oxley.

Chairwoman KELLY. We next turn to you, Mr. Gutierrez.

Mr. GUTIERREZ. Good afternoon. Thank you for holding this hearing. I will be brief since the purpose of the hearing is to get an update from the agencies and experts that have been instrumental in the fight against international money laundering and terrorist financing.

Our fight against terrorist financing is a broad-based effort, extending well beyond the al-Qaeda network. In today's global marketplace, it means nothing to build a concerted effort between financial institutions and law enforcement agencies at home without instituting similar actions abroad. Enhancing international cooperation between local agencies and countries around the world is essential to eliminating terrorist networks and to winning the fight against international money laundering practices.

The USA PATRIOT Act was a critical step in giving our enforcement personnel the necessary anti-money laundering provisions to fight terrorists by blocking the schemes used to finance their horrific crimes. Attorney General Ashcroft recently said that 124 million in financial assets belonging to terrorist groups, including al-Qaeda, have been frozen since the September 11th attacks.

Although we have made progress, we have much work to do. We do not know whether the frozen assets represent most or just a small percentage of the pool of potential money that could be used to finance terrorism around the globe.

In order to truly stop terrorism, we need to strengthen the cooperation and coordination. Encouraging information sharing collaboration among local, State, Federal, and international law enforcement also is critical to eliminating al-Qaeda. And we need to ensure that our priorities concentrate equally on both prevention and response. State and local governments need to have the capacity and the resources to respond to the threat of terrorists, and especially when they serve our Nation's first responders, proper training, technical assistance and support is critical.

Before I conclude, I would like to urge Treasury to expeditiously complete the provisions that have yet to be promulgated, particularly those dealing with the verification of identity. A recent GAO study requested by Chairwoman Kelly and myself regarding the use of Treasury's electronic transfers—excuse me—electronic funds transfer and electronic transfer account programs found that about 11 million Federal benefit recipients, about half of those receive

checks from banks. More shockingly, the study found that approximately 55.8 million U.S. adults are currently unbanked; that is 20 percent of all U.S. adults.

GAO also found that the primary obstacle to using electronic fund transfer was that many Federal check recipients didn't have bank accounts. We all know that without access to banking services, individuals are forced to turn to payday lenders and check-cashing vendors who very often charge exorbitant fees, sometimes with interest reaching 500 percent.

The inability to enter the banking center results in higher costs of borrowing and lack of access to home mortgages. The proposed rule requires a financial institution to contain statutorily prescribed procedures. It describes them in detail, certain minimum elements that each must contain. The procedures as proposed by Treasury require important elements that would further safeguard our banking system from terrorist financing and at the same time will not hinder the ability of unbanked individuals to access our financial institutions.

I look forward to the testimonies that will be presented today. Thank you, Madam Chair.

Chairwoman KELLY. Thank you, Mr. Gutierrez.

Mr. Inslee.

Mr. INSLEE. Thank you, Madam Chair, for holding this hearing, a very important one given the times we are in. And I hope that we will focus on three areas during this hearing:

First, I hope we will have a serious exploration of whether or not we have really eased up on some of our enforcement with some of other countries that have been associated with very knowing and very obvious financing of terrorism. And there is a concern in my district and, I think, across the land that as a result of some of our national interests in other pursuits, particularly the war in Iraq, that perhaps the Federal Government has not been sufficiently aggressive with some of the countries that have mollycoddled these folks who have financed terrorism.

The most obvious suspect that my constituents are concerned about comes from the apparent fact that much of the financing for the September 11th attack came from financiers in the Mideast and Saudi Arabia, perhaps the United Arab Emirates, and that the United States Federal Government, to our knowledge, at least from what we hear in my district, has not been acting with any particular sanction against those countries to enforce the known need to cut off the funding for these snakes. And I hope that we will hear a discussion about what our Federal Government has been doing in this regard.

And let me tell you why there is concern in my district about this. There is concern in my district that because of our Federal Government's current interest in pursuing the war in Iraq and its interest in basing some of our military forces and our interest in gaining support for the U.N. Resolution that we have not been sufficiently assertive, aggressive, and in a way to get a result from these countries, because we have sort of taken a little pressure off in order to get them to help us in other ways in the war in Iraq. And I think that would be most unfortunate and shortsighted.

So we hope that we will hear discussion about that. We hope that we are wrong, and we hope those concerns are unfounded, but we need to address that issue.

Second, we are going to hear testimony from the American Bankers Association and, perhaps, that there has been a little bit of misprioritization of what we have been looking for when we are looking for a fight against terrorism, and we have got, perhaps, a little something different; and we would like to know about that issue.

And third, I hope that we will hear today about a way to make this system workable for Americans of Muslim extraction, many whom are great Americans—some of whom are biochemists in my district, engineers at Boeing, computer scientists at Microsoft—to make sure that they are not sort of swept into this when they have acted legally. And we want to make sure that they have confidence that their legal actions are not swept into an illegal misunderstanding.

So I hope that we can address those three issues. I look forward to this hearing. Thank you.

Chairwoman KELLY. Thank you very much.

Mr. Murphy.

Mr. MURPHY. Thank you, Madam Chairman. I want to welcome the distinguished folks who will be talking to us today, because I know that these witnesses share your concern and all of our concern that your job is every bit as important as what has taken place with our law enforcement throughout the Nation—the CIA, the FBI, and the police—as well as our military overseas.

Perhaps because I come from a health care background as a psychologist, I look upon this as using a disease model, and that is, you treat the symptoms, as one needs to do, but you also identify the source of the disease. You wipe out the disease and you prevent it from ever taking root again.

What I want to hear about today will be the aggressive, the thorough, and the relentless mechanisms you are using to track every dollar, because I know it must weigh heavily upon your hearts that every dollar that gets into the hands of terrorists is a dollar that could be used to kill Americans or to harm us.

Plus, also, we know that they are using that—not only using our economy to fund their terrorism, but in turn affecting our economy negatively.

So I know you are going to give us some interesting news on the things that are happening, but I also want to let you know how grateful we are as Members of Congress for your relentless determination to continue to root out the sources of funding for terrorism, and I look forward to your testimony.

Thank you, Madam Chair.

Chairwoman KELLY. Thank you, Mr. Murphy.

If there are no further opening statements, I will introduce our first panel:

Ms. Alice Fisher, Deputy Assistant Attorney General of the Criminal Division at the Justice Department; Mr. Richard Hoglund, Interim Director of the Office of Customs Investigations in the Bureau of Immigration and Customs Enforcement, part of the new Homeland Security, and he is accompanied by Ms. Marcy

Forman, Executive Director, Operation Green Quest; and Mr. James Sloan, Director of the Financial Crimes Enforcement Network in the Department of the Treasury.

We thank all of you for taking the time to be here today and to testify before us, and I welcome you on behalf of the committee. Without objection, your written statements and any attachments that you have will be made part of the record.

You will now be recognized for a five-minute summary of your testimony. When the light changes color on the timer before you, it will move to yellow, that is the time to begin to summarize your testimony, and then it will start blinking red, and that is time to stop.

Chairwoman KELLY. So let us begin now with you, Ms. Fisher.

STATEMENT OF ALICE FISHER, DEPUTY ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, U.S. DEPARTMENT OF JUSTICE

Ms. FISHER. Thank you Chairwoman Kelly and distinguished members of the panel. I am honored to be here to discuss the Department of Justice efforts in terrorist financing enforcement. As Deputy Assistant Attorney General in the Criminal Division, I oversee the Counterterrorism Section and a component of the Counterterrorism Section which is the DOJ Terrorist Financing Task Force.

The Department's single and overarching goal since 9/11 has been to prevent future terrorist acts on the United States and its citizens. Curtailing the financing of terrorists is a critical component of that effort. We take this mission very seriously, targeting the financiers of terrorism as aggressively as those terrorists who commit violent acts.

Currently, the Department is pursuing over 70 criminal terrorist financing or material support investigations in 22 States. Over the past 18 months, we have charged 61 individuals in cases involving terrorist support to such groups as al-Qaeda, Hamas, Hezbollah, and Palestinian Islamic Jihad, or PIJ. We have charged 33 persons in cases involving the terrorism-related sanctions program of the International Emergency Economics Power Act, or IEEPA. And finally, we have charged over 20 individuals with illegally operating an unlicensed money remitting service, or hawala. These charged individuals face lengthy prison sentences, and our message is clear: We will bring justice to the entire network of terror.

Congress has been a very valuable partner in this fight. By passing the USA PATRIOT Act, Congress provided us with powerful new tools to combat terrorism financing. The PATRIOT Act enhanced the crime of providing material support or resources, 18 U.S.C., Section 2339B, which now carries a penalty of up to 15 years and, in some cases, life imprisonment.

We have enforced this law to disrupt terrorist Jihad cells in Buffalo, Portland, Seattle, and Detroit. We have also used it to charge individuals engaged in drugs for weapons for terrorists, in drugs-for-weapons plots in Houston and San Diego. And just recently in Charlotte, North Carolina, in the first such case to be decided by a jury, Mohammed Hammoudeh, the leader of the Charlotte Hezbollah cell, was convicted and sentenced to 155 years in prison.

Two recent material-support-for-terrorism cases demonstrate the Department's commitment to choke off support to terrorism and punish the perpetrators. Just last week, the Attorney General announced material support to al-Qaeda and Hamas charges brought in Brooklyn, New York, against two Yemeni nationals, Mohammed Ali Hasan Al-Moayad and his assistant Mohshen Yaha Zayed, who were arrested in Germany following an undercover sting operation in cooperation with German law enforcement.

The complaint alleges that Al-Moayad claimed to have personally given $20 million to Osama bin Laden. Using an undercover informant, the FBI caught Al-Moayad boasting about his involvement in providing money, recruits, and supplies to al-Qaeda, Hamas, and other terrorist groups in part from monies he collected from collections at the Al Farouq mosque in Brooklyn. He also claimed to be Osama bin Laden's spiritual advisor.

In Tampa, Florida, the Department charged Sami Al-Arian and seven other defendants, all leaders and supporters of the terrorist group, the Palestinian Islamic Jihad, or PIJ, with conspiracy to provide material support and conspiracy to commit murder among other charges. The indictment alleges that PIJ is responsible for the murder of over 100 innocent people, including two Americans.

As detailed in the indictment, Al-Arian was the secretary of the Shura Council, or the worldwide governing group of PIJ, and actively engaged in PIJ operations. The defendants managed the affairs of PIJ, including the acquisition and spending of funds and administering the financial affairs of PIJ. For example, the indictment alleges that Al-Arian had a letter written from him which requested a financial donation to the PIJ and stated that the bombers in a recent terror operation had left families in debt, and urged a financial contribution so that PIJ could continue its terror operations.

Al-Arian attempted to hide his support for PIJ after the group was designated as a foreign terrorist organization in 1997, but court-approved electronic surveillance of his office revealed his continued active support for PIJ long after the designation.

The Charlotte Hezbollah case is another key example of how the Department has aggressively pursued terrorist financing. What started out as the suspicion of a local off-duty sheriff ultimately uncovered a massive cigarette smuggling and tax evasion scheme which involved several Lebanese men who were part of the Hezbollah cell which had received instructions from and provided financial support to well-known terrorists in Beirut. These defendants purchased night vision devices, stun guns, mine and metal detectors, advanced aircraft design software, drilling and blasting equipment, laser range finders, and global positioning systems. As I already mentioned, the lead defendant received a 155-year prison sentence.

We have also stemmed the flow of terrorist financing by targeting organizations that purport to raise charitable funds, but in fact serve as fund-raisers for terrorist organizations. For example, we indicted the Chairman of Holy Land Foundation, the Executive Director for Benevolence Foundation, who just last month pleaded guilty in Chicago. And a few weeks ago Dr. Rafil Dhafir and others

were charged in Syracuse with using their charity, Help the Needy, to illegally transfer money to Iraq.

To sum up quickly, the tools that we have been using and that Congress provided to us have had an impact. And I would just like to quote from a defendant in a conversation that he had with an informant in the Portland cell up in Oregon. He said, quote:

"Everybody is scared to give up any money to help us. You know what I am saying? Because that law that Bush wrote about, you know, supporting terrorism, whatever, the whole thing, everybody is scared. He made a law that says, for instance, I left, out of the country and I fought, right, but I wasn't able to afford a ticket. But you bought my plane ticket. You gave me the money to do it. By me going and fighting and me fighting and doing that, they can—by this new law, they can come and take you and put you in jail.".

The Department is therefore grateful for all the tools that Congress provided, and I am happy to answer any questions that you have.

Chairwoman KELLY. Thank you so much, Ms. Fisher.

[The prepared statement of Alice Fisher can be found on page 135 in the appendix.]

Chairwoman KELLY. Mr. Hoglund.

STATEMENT OF RICHARD HOGLUND, INTERIM DIRECTOR, OFFICE OF CUSTOMS INVESTIGATIONS, BUREAU OF IMMIGRATION AND CUSTOMS ENFORCEMENT, U.S. DEPARTMENT OF HOMELAND SECURITY, ACCOMPANIED BY MARCY FORMAN, EXECUTIVE DIRECTOR, OPERATION GREEN QUEST

Mr. HOGLUND. Chairwoman Kelly and distinguished members of the subcommittee, it is a privilege to appear before you today to discuss the efforts undertaken by Operation Green Quest and its role in terrorist finance. With me today is Marcy Forman, the Executive Director of Operation Green Quest.

The survival of terrorist organizations is directly related to their ability to raise funds and transfer them internationally in a clandestine manner to support their operations. Terrorist entities often move their money by exploiting weaknesses in domestic and international finance systems. I welcome this opportunity to discussion Operation Green Quest's mission, methodology, goals, and successes as they relate to terrorist financing.

Established in October 2001, Operation Green Quest has employed a broad, systematic strategy to detect, disrupt, and dismantle terrorist financial networks. Operation Green Quest has realized this goal by bringing the full scope of the government's financial expertise to bear against systems, individuals, and organizations that serve as sources of terrorist funding.

From inception, Operation Green Quest has met its mission head on. Operation Green Quest has proactively and covertly targeted charities, nongovernmental organizations, illegal money service businesses, and alternate remittance systems, and various entities using bulk cash smuggling as a conduit to fund terrorist activity. Green Quest actively identifies and develops sources of information and routinely exploits Bank Secrecy Act data to include suspicious activity reports, currency and monetary instrument reports, and currency transaction reports.

Examples of Operation Green Quest's successes include the Virginia-based charities case, which is a Bureau of Immigration and Customs Enforcement, BICE, led multiagency task force investigation of suspected money laundering, tax fraud, and terrorist material support violations being committed by individuals and companies located in northern Virginia. These conglomerates of businesses, charities, and nongovernment organizations are suspected of funneling funds to terrorist groups.

On March 20, 2002, 29 search warrants were executed by 130 Federal, State, and local law enforcement officers on businesses, residences, and Internet servers identified by this investigation. In November 2002, two multiagency search warrants led by BICE agents were executed on a Boston-based computer software company, allegedly funded by a designated terrorist in violation of the International Emergency Economic Powers Act.

In December 2002, a BICE agent-led investigation in Seattle of a money remitting company with approximately 30 remitting agents nationwide culminated in the execution of a total of 36 search warrants, six arrests, and 19 indictments for money laundering and violations of the International Emergency Economic Powers Act. This investigation identified approximately $28 million wired through the main violator's account, $12 million of which was traced to an embargoed country.

In December 2002, BICE-led investigation in Detroit identified several individuals and businesses that operated as unlicensed money remitters that sent funds to Yemen in violation of 18 U.S.C. 1960, operating as an unregistered money-remitting business. As a result, 10 search warrants, five seizure warrants, and six arrest warrants were executed. In addition, five bank accounts were seized, totaling $234,000, along with a quantity of narcotics.

In December 2002, there was an investigation that effected a bulk cash seizure of $280,000 in currency, concealed within clothing, destined for the Middle East. Subsequently, search warrants on businesses related to the initial seizure resulted in additional seizure of $2.2 million in currency and the arrest of the owner of the business. The owner has been indicted for bulk currency smuggling.

Based in Washington and led by the new Bureau of Immigration and Customs Enforcement, Operation Green Quest serves as a command and coordination center and is essentially a place for one-stop shopping in terrorist finance investigations. Operation Green Quest collects, develops, manages, and disseminates leads to appropriate field offices for investigative action. As such, it is the repository and clearinghouse for terrorist financial investigations and is able to prioritize, identify investigative overlaps, and redirect resources to meet operational objectives.

Operation Green Quest is a multiagency center, and in addition to the Bureau of Immigration and Customs Enforcement, it is comprised of representatives from the Internal Revenue Service, Secret Service, Office of Foreign Assets Control, Financial Crimes Enforcement Network, Federal Bureau of Investigation, Naval Criminal Investigative Service, Postal Inspection Service, Bureau of Alcohol, Tobacco & Firearms, and the Coast Guard.

Many of these successes of Operation Green Quest can be attributed to the aggressive outreach of the financial and trade communities. Operation Green Quest views the finance and trade communities as the frontline in identifying suspicious activity and potential financiers of terrorist activities.

In conclusion, I would like to thank the distinguished members of this subcommittee for the opportunity to speak before you today, and we invite your questions as we proceed. Thank you.

Chairwoman KELLY. Thank you very much, Mr. Hoglund.

[The prepared statement of Richard Hoglund can be found on page 144 in the appendix.]

Chairwoman KELLY. Mr. Sloan.

STATEMENT OF JAMES SLOAN, DIRECTOR, FINANCIAL CRIMES ENFORCEMENT NETWORK, U.S. DEPARTMENT OF THE TREASURY

Mr. SLOAN. Madam Chairwoman, members of the subcommittee, and Chairman Oxley, thank you for this opportunity to appear before you today to discuss the Financial Crimes Enforcement Network, or FinCEN, and its role in combating money laundering and the fight against terrorist financing.

The recent formation of the Executive Office for Terrorist Financing and Financial Crimes within the Department of the Treasury, I think, further underscores the FinCEN's expertise in using the Bank Secrecy Act to help identify and track the financial aspect of terrorist and other criminal activity. This continued commitment to financial crime and money laundering is a significant indication that the Treasury Department expects to stay in the forefront of these important issues following the relocation of several of its enforcement bureaus to the Department of Homeland Security.

My statement today will update the committee on FinCEN's programs, as well as the significant progress we have made in meeting our obligations under Title III of the USA PATRIOT Act. Thank you for the opportunity to submit a longer written statement for the record.

As administrator of the Bank Secrecy Act, FinCEN must ensure that the data it collects under that authority is truly beneficial to law enforcement and is collected in a manner that represents the least burden to the financial community. We continually try to strike a balance between law enforcement needs and the burden placed upon the industry. Industry has been extremely responsive in complying with Bank Secrecy Act regulations, I believe because it recognizes that reasonable regulations are part of the shared price we all have to pay for combating terrorism and financial crime.

The Congress and, most importantly, this committee recognized the need to expeditiously make additional tools available to law enforcement to fight money laundering and terrorist financing after the attacks of September 11, 2001 by passing the USA PATRIOT Act. This prompt action reinforced the importance of using data such as suspicious activity reporting and other Bank Secrecy Act information to help pinpoint the nexus between crime and its associated financial activity.

The Act's intent that the long-term expansion of the BSA to broad categories of financial service providers be placed on a very fast track resulted in a dramatic increase in FinCEN's responsibilities. I will briefly highlight the progress FinCEN has made to date on implementing many of those provisions. I believe you have charts in your briefing materials, as well, which might help illustrate FinCEN's PATRIOT Act accomplishments.

One of the most comprehensive provisions of Title III was the requirement that all financial institutions, as defined by the Bank Secrecy Act, be required to establish anti-money laundering programs. To cover this potentially large and diverse number of entities in a judicious manner, FinCEN chose a risk-based approach. We focused first on traditional financial institutions, and then proceeded to cover entities that are most likely the places a money launderer would go to launder the funds. As a result, regulations in various stages of the rule-making process are in place for industries as varied as casinos, insurance companies, credit card owners, and dealers in precious metals and jewels, just to name a few.

Because of the proven value of suspicious activity reporting, the expansion of that reporting to financial sectors beyond depository institutions had been a priority even before the PATRIOT Act. The Act helped accelerate the process, and we now have suspicious activity reporting requirements in place for brokers and dealers, casinos, currency exchangers, and mutual funds.

FinCEN has worked very hard this year to provide additional guidance to the industry. Today, in fact, we have issued an Advisory on Informal Value Transfer Systems describing indicators of terrorist financing and providing information about filing suspicious activity reports related to that type of suspicious activity. We have also issued two Suspicious Activity Reviews within the past year that provide feedback to industry, as well as summaries of cases in which suspicious activity has played an important role.

FinCEN just issued its fifth Suspicious Activity Review, a copy of which I know has been provided to the subcommittee. The review is a semiannual report which discusses trends and patterns found in a comprehensive review of SAR filing. The latest issue focuses on terrorist financing methods that use nonprofit organizations, as well as Informal Transfer Systems such as hawalas.

One of the most challenging tasks given to FinCEN has been to develop, under Section 314 of the Act, new ways to share information rapidly between law enforcement and the financial institutions, and to enable these institutions to share information among themselves.

As I said, we are acutely aware that all the regulations come with a burden in varying degrees to diverse sectors of the financial industry. We are constantly trying to find ways to ease this obligation, but there is always going to be some cost, which we will work to ensure is justified by the law enforcement benefit.

The implementation of 314(a) is just an example. Section 314 gave FinCEN the opportunity to craft a tool that would fill a gap in our law enforcement ability to quickly respond to pinpoint the financial support for acts of terrorism or serious financial crime. FinCEN quickly developed a system that could transmit names of suspects to several thousand financial institutions and receive re-

ports back of matches, all within days. The system was not meant to obtain documents or be a substitute for subpoenas, but rather to serve as a locator that could be followed up by law enforcement with a subpoena or other appropriate legal process.

We met the deadline and developed the system known as 314(a), which is designed to serve all participants from large corporate banks to small rural banks with limited technical systems; 314 has proven to be extremely helpful to law enforcement.

In requesting the information, law enforcement has assured us that the requests are related only to the most significant terrorist and money laundering investigation. The FBI's Terrorist Finance Operations Center and the Customs Bureau's Green Quest are major users of the system. We will continue to work with them and all the participants on a regular basis to improve efficiency as necessary.

Other key sections of Title III that FinCEN has been diligently working on include: crafting rules to comply with Section 326, which requires financial institutions to verify customer identification in connection with the opening of accounts; special due diligence measures for institutions that maintain correspondent accounts for foreign institutions; and Section 311, which authorizes the Secretary of the Treasury to impose special measures against foreign jurisdictions or institutions that are found to be serious money laundering concerns and under which Treasury designated two jurisdictions in December 2002, Ukraine and Nauru.

Madam Chairwoman, in closing, the threats we deal with today have taken on new dimensions from those that existed when the legal structure for anti-money laundering was first created. Traditional methods for laundering have mutated over time to take advantage of the new technologies, diverse institutions, and industries.

On behalf of FinCEN, I would like to thank you for the opportunity to discuss with you our accomplishments, as well as our unique role in the fight against terrorist financing. I will be happy to answer any questions.

Chairwoman KELLY. Thank you, Mr. Sloan.

[The prepared statement of James Sloan can be found on page 166 in the appendix.]

Chairwoman KELLY Ms. Fisher, Mr. Hoglund, Khalid Sheikh Mohammad was Osama bin Laden's money man and the mastermind of his most destructive operations, including the September 11th attack that killed 3,000 people. He was the contact man for all al-Qaeda operatives, what one expert called the mission man. Working together with Mustafa Al-Hasawi, the al-Qaeda paymaster caught with him, Mohammed set up and used checking accounts, debit cards, credit cards from financial institutions in Dubai, the UAE, and the United States. Hasawai is named in a false statements case against Al-Marri, a former Peoria, Illinois, man who is being held without bail in New York and accused of credit card fraud and lying to the FBI about calls the government says he made to Hasawai's phone number in the two months before the September 11th attacks. Al-Marri illegally possessed more than 15 access devices or credit card numbers, and his computer files contained hundreds of apparent credit card numbers.

Now that we have the mastermind and the paymaster in custody, how much closer are we to finding Osama bin Laden and all of his operatives here in the United States, the people who have funded his reign of terror?

And a second follow-up to that is, have you be able to identify a money trail that provides clues on possible future al-Qaeda operations? And I am specifically focusing on you, Ms. Fisher and Mr. Hoglund.

Ms. Fisher, would you like to start?

Ms. FISHER. Certainly.

Without being able to get into any classified information or any intelligence information, I would want to assure the committee that the Intelligence Community—the FBI, the CIA, et cetera—are following up on all leads that we get in the terrorism investigation in general. And so we follow the money trail wherever it goes. And the case that I believe that you mentioned in New York with Mr. Al-Marri, I believe he is right now serving jail time for his credit card fraud. So, certainly the investigations continue.

Chairwoman KELLY. Mr. Hoglund?

Mr. HOGLUND. We are actively pursuing the leads as they are developed through the Intelligence Community, and in conjunction with the FBI, to see, are there specific areas of interest that Green Quest should approach vis-a-vis perhaps some other areas. And so, I mean, we are chasing this down as the information becomes available to us.

Chairwoman KELLY. Ms. Fisher, have you identified the money trail that money—I am interested in whether or not you have been able to identify—or maybe you just cannot say that in public—that the ones that—the money trails that show that there is money funneled from the United States to the al-Qaeda operation?

Ms. FISHER. Well, certainly we have some charged cases that are public that show money going from the U.S. to the al-Qaeda operation. For example, the case that I described in my opening statement and that you described in your opening statement is part of a scheme where two individuals were funneling money, some of which they obtained in a mosque in Brooklyn, by one of the defendant's own words, to al-Qaeda, to Osama bin Laden personally.

And so, clearly, those are the types of money trails that we constantly are following up on. And where we can and where it is appropriate, we charge those individuals and prosecute them to the fullest extent that we can.

Chairwoman KELLY. Thank you.

The recent indictments against the four Syracuse men for money laundering and providing material support to individuals in Iraq and the other public documents about the case allege the following:

That the four defendants used Help the Needy, a charity, to funnel at least $2.7 million through three banks in New York and the Jordan Islamic Bank to the defendants' families and unnamed individuals in Baghdad; that they used false papers and I.D.s to open the accounts. They never obtained the license required by law to legally provide aid to Iraq. They did not seek the required tax-exempt charitable status from the IRS until August of 2002, and never filed the necessary annual disclosure forms for Help the Needy. They lied to contributors without helping the needy and the

oppressed, and they had some financial relationship with two other so-called charities which were shut down for helping terrorists, the two charities being the Global Relief and the Benevolence Foundations.

Without disclosing any of the investigatory details, is it safe to say that all Federal law enforcement is continuing to look for individuals living and working here in the United States who are providing legal—illegal material support?

I am sorry; let me rephrase that.

Of the people who are living and working here in the United States of America providing illegal and material support to terrorists who work with Saddam Hussein's regime in Baghdad? And they may be supporting Saddam himself.

Can I just ask you three to answer that question? Is that too long?

Ms. FISHER. I think I got it.

The case that you have described, the Help the Needy case in Syracuse, we have charged four defendants. Two of the defendants, specifically for their crimes, face up to 265 years in prison; and they are charged with sending money to Iraq, as you noted, $2.7 million to Iraq without getting the appropriate license. And so they are violating IEEPA in doing that and that is what they are charged with.

I think it is safe to say, from the Department of Justice's and the FBI's perspective—and I am sure that the other agencies will echo this, because we are all in this together—we are following the trail of terrorist money wherever it goes, all groups. And whether it is illegally being funneled to Iraq or it is being illegally funneled to Hamas, Hezbollah, al-Qaeda, we are aggressively pursuing it on all tracks.

Chairwoman KELLY. Yes, Ms. Forman.

Ms. FORMAN. Madam Chairwoman, if I may. We are addressing all those high-threat areas, specifically right now, Iraq and other Middle Eastern countries; and we are using all the tools in our arsenal to accomplish that. Operation Green Quest's mission is to disrupt and dismantle the funding mechanisms, and that is what we are targeting, those funding mechanisms that can be exploited.

In addition, with our new counterparts, the Immigration Service, we are using our new authorities to work with them to identify those individuals who are still here in the United States so we can gather more intelligence, more information, to identify further targets. Thank you.

Chairwoman KELLY. Mr. Sloan.

Mr. SLOAN. Madam Chairwoman, I would just add that, we are not the silver bullet nor are we an investigator, but we like to think, that both Justice and Homeland Security and the investigative resources of Treasury are using what we might consider to be a rather large arrow in their quiver successfully and following the money where it leads. We contribute to that success, but we don't obviously investigate it ourselves.

Chairwoman KELLY. Thank you very much. My time is up.

Mr. Gutierrez.

Mr. Inslee.

Mr. INSLEE. Thank you, Madam Chair.

I appreciate having the people who are really responsible for telling Americans where the money came from and is coming from for these terrorist activities, so I appreciate your being here.

One of the questions I have asked a lot is, why hasn't America acted in regard to some of the countries that have not been responsible, as responsible as they should be in cutting off this flow of money to these terrorist organizations? And when you look through September 11th, the attack, what we know about, we know Afghanistan was associated with the attack. We know that Yemen was to some degree. We know there was training done in Germany and plotting in Germany, perhaps some in other countries.

We know that—according to a nonpartisan organization, the Council on Foreign Relations, that published a report in October of this year, they stated that "Saudi Arabian-based charities have been the most important source of funds for al-Qaeda, and that for years Saudi officials have been turning a blind eye to this problem,".

There seems to be a relative consensus of those who have evaluated this situation. We know that 15 of the 19 hijackers, their nationality was Saudi Arabian. We know that in an article published March 10th, Al-Hasawi—and I apologize if I mispronounce the name—a Saudi national, has been described as the paymaster of the September 11th operation and its financial mastermind and has provided documents to the German authorities suggesting that he wasn't working alone.

But to my knowledge, there have not been any sanctions against any other governments for their failure to act in an aggressive, assertive, responsible way to cut off this funding since September 11th, including Saudi Arabia or any other country, other than our action against Afghanistan, which was certainly a strong sanction, but no others.

And it is troublesome to my constituents that, while we are about to start a war in Iraq, to our knowledge—and now I am going to ask you that question in a minute—there has not been a paper trail of funds to September 11th; we haven't acted with sanctions to some of these other countries that have not acted in a responsible fashion as international citizens to help us cut off these funds.

So I have two questions:

First, have there been sanctions against any other nation, associated with their failure to help us in a responsible manner to cut off these funds? And, if not, why not?

That is just a general question to any of you if you would like to help us with an answer. I see there are no volunteers at the moment.

Maybe, Mr. Sloan, I can draft you.

Mr. SLOAN. Well, you can draft me, sir, but I probably won't have an answer for you.

From our perspective, clearly we like to think that we look at the transactions that might lead us to suspect flows of money that might be financing terrorism. We certainly would look at that from a national basis; we would turn those clues over—I hate to point in their direction, but we would be turning them over to the investigative agencies or even to OFAC for IEEPA sanctions.

We don't have a role in applying sanctions to individual countries. However, we do pay attention and we try to encourage attention being paid to those jurisdictions that might be considered noncooperative countries and territories for the purpose of anti-money laundering activity. And we work very closely with our partners around the world in that regard to highlight certain jurisdictions that might present such a problem for us.

Mr. INSLEE. And have any countries been identified as noncooperating countries under that definition?

Mr. SLOAN. There are several countries that are considered under the Financial Action Task Force deliberations as noncooperative countries or territories in the anti-money laundering efforts.

Mr. INSLEE. And what are those countries?

Mr. SLOAN. We can provide you with a list of them. There are perhaps a dozen or more.

[The following information can be found on page 181 in the appendix.]

Mr. INSLEE. Are any of them associated with funds financing the September 11th attack?

Mr. SLOAN. I mean, I wouldn't sit here today and say that they specifically are involved in the September 11th attack. I mean, they have been listed as such noncooperative territories for the purposes of not having systems in place.

Mr. INSLEE. Thank you.

What countries were involved in financing the September 11th attack? And when I say countries, I would like to define that broadly. Any country that had a person of their nationality associated with it, whether as a transmission agent or as a contributor, any bank that is located in a particular country.

Broadly speaking, what countries were involved in some way, or people within those countries, with financing the September 11th attack?

Who would be the best person to help me on that? I hope some of you have some information about that. It is a relatively important question, so we will give you a moment.

Ms. FISHER. My understanding is that—what has been made public was that there was at least some money coming through the UAE and some through Germany. Not to say that it was from those countries, but that the money—you asked about transmitting, and so some of the money came from those two; and that has been made public.

I just want to be careful not to say anything further at this point because I am not quite sure what has been made public and what hasn't. And so, if you would like, we can try to get with the people over at FBI, the Terrorist Financing Operations Section, who are wonderful, and try to get you that information.

Mr. INSLEE. I would appreciate that.

And obviously Saudi Arabia in some fashion, one of their nationals was involved apparently, Al-Hasawi.

Would you bear with me, just one more question?

Chairwoman KELLY. If we need to do another round, we can do it then.

Mr. INSLEE. Thank you. I will be back.

Chairwoman KELLY. I will hold the record open, and you can submit the question in writing if we don't do the round.

Mr. Oxley.

Mr. OXLEY. Thank you.

Mr. Sloan, FinCEN recently announced its new system for requesting investigatory assistance from the banks as mandated by Section 314 of the PATRIOT Act. As you know, if set up to be managed properly, it is going to go a long way in providing hot tips in this very complicated field, and it gives us an opportunity for a quick turnaround by investigators. What is the mechanism for ensuring that requests for assistance are prioritized in favor of the most important money laundering and terrorist investigations?

Mr. SLOAN. Mr. Chairman, we have met with the law enforcement side of that equation, principally the FBI, Customs Service, DEA, and asked quite frankly that they prioritize within their agencies those cases that either have a terrorist connection or are of extremely high and sensitive priority relative to money laundering investigations.

As I understand it—and I don't want to speak for each of the agencies because there are probably various mechanisms within each agency—but none of the cases surface to the possibility of transmission over the 314(a) process unless they have been cleared in a field office by the agent in charge or in some instances at the national headquarters. In fact, I was even confronted at church recently by an FBI agent, who knows I am director of FinCEN, who remarked about the fact that he had received a notice that was broadcast through the entire Bureau about how the criteria, at least within the Bureau, for use of 314 needed to be strictly adhered to so that we are not giving the impression that we are abusing the system. So I am confident that the bureaus that are taking advantage of this are, in fact, putting in place mechanisms that will assure that these are the highest priority cases.

Mr. OXLEY. We want to make certain that every effort is made to make certain that that works smoothly. I know there will be some issues raised on our second panel regarding that implementation. I think it is a legitimate concern. On the other hand, the potential—upside potential is great, as you indicated. As you indicated in your testimony, Section 314 is a critical component of the PATRIOT Act; and we would plan to work closely with Secretary Snow towards making certain it works and works fairly and effectively throughout the system.

Let me ask each one of you, you have had now some experience under the PATRIOT Act and specifically under the anti-money-laundering provisions that our committee drafted. Give us some sense about what tweaking perhaps may be needed, either administratively or from a legislative perspective, to make this work in an effectual manner of identifying and going after assets of terrorist organizations and at the same time protecting individual rights and also providing as much flexibility for the banking system as we possibly can.

Ms. Fisher, let me begin with you.

Ms. FISHER. I didn't come prepared with any certain tweaks, although others on the panel might.

I will say that the PATRIOT Act tools that were provided by Congress have been very useful, particularly in the hawala area. We have used it over two dozen times to charge individuals who were engaged in unlicensed money remitting, and we think that that is a critical tool.

The other one that I think that is going to become very useful in the future and we have used a few times now is Section 319(a) which allows us to forfeit funds deposited in foreign banks if those funds can be forfeited by the U.S. And the foreign bank has a U.S. Corresponding bank. We have used that on four occasions, one of which relates to a terrorist organization. So we think that that will, hopefully, be very useful in the future.

Mr. OXLEY. Mr. Hoglund.

Ms. FORMAN. If I may, the PATRIOT Act has been useful in the attack of terrorist financing, specifically in the use of the money service businesses as well as the bulk cash statute. The bulk cash statute has been used increasingly in our outbound currency operations. And in terms of the proposal for modification, 1960, the money service business requirement to be registered, it would be useful as a predicate offense for Title III electronic intercept. That would be one suggestion.

Mr. OXLEY. Thank you.

Mr. Sloan.

Mr. SLOAN. In addition to following onto your first question, I mean, clearly we need to be tweaking the systems that are in place. I think that is going to be a constant effort to make sure that the balance between the burden we are imposing upon the industry and the benefit we are providing to law enforcement strikes the right balance. So that tweaking will always continue.

But with regard to perhaps looking at the PATRIOT Act and some of the requirements, the first one that comes to mind, the PATRIOT Act allowed us for the first time to provide in our arsenal, if you will, information that comes from the 8300 Form, which is the nonfinancial institution collection of cash in a business. For years, it was reported only to the IRS; but the PATRIOT Act now allows us to provide that information to law enforcement but only starting with reports filed since January 1 of 2002. I think we would like to see the possibility of looking into the archived information and providing access to a greater database for law enforcement efforts, and that is one that comes to mind.

Mr. OXLEY. How does that work? Does that have to be requested by the FBI?

Mr. SLOAN. In a fashion not dissimilar to the currency transaction reports or the suspicious activity reports or, as Mr. Hoglund mentioned, the currency monetary instrument reports, they are part of a database, the BSA database. Right now, we can combine all of that information and try to draw a picture of the money flow; and they have become incredibly important. The problem is that we don't have access to that information, as good as it is, if it was collected prior to January 1, 2002.

Again, I am just adding this as something that I am fully aware that the FBI and I have talked about.

I am handed information, and I don't want to bore you with it——

Mr. OXLEY. This just in.

Mr. SLOAN. We heard by both speakers about the issue of the so-called unregistered money services businesses, referred to as hawalas. When we registered—we required the registration of the money services businesses. We were essentially registering about 10,000 or 11,000 principals and potentially a quarter of a million service providers, check cashiers, et cetera; and hawalas are part of that operation.

State requirements for violating the registration requirement are that ignorance of the law is no excuse. That doesn't apply, I understand, in the Federal law for 18 U.S.C. 1960. It may be an additional, important tool for law enforcement, particularly in the area of the informal value transfer systems that are trying to stay below the radar screen and maintain their anonymity in the transfer of funds.

Chairwoman KELLY. Mr. Crowley.

Mr. CROWLEY. Thank you, Madam Chair; and thank you for calling this important hearing.

Mr. Sloan—thank you to all the panelists for being here today.

Mr. Sloan, a number of previous reports indicated that the Treasury Department was unhappy with the level of support provided by some of our allies, particularly in Europe, in the fight against terrorism through money laundering. Could you discuss—and I am making reference to an article in last February's 2002 Wall Street Journal about particularly Germany and Russia and their participation and cooperation, I should say, with our country in this effort.

Additionally, I would be interested to hear from you about two of the specific allies in south Asia, Bangladesh and India, and their cooperation in this war against terrorism through money laundering.

Mr. SLOAN. I can comment on them generally. FinCEN is America's FIU, financial intelligence unit, and as such, we are a member of the organization known as the Egmont Group. The Egmont Group is a group of nations that are joined together—rather a diverse group I might add—to share information about financial criminal activity, money laundering and, since September 11, even the potential for terrorist financing. Russia has come on board as a member of that group, along with 69 other nations.

We—from that small corner of the world in dealing with our foreign counterparts, we are very comfortable that we, FinCEN, are getting good cooperation. I can't speak to the larger picture of cooperation relative to matters outside the so-called Egmont group of FIUs, but I am comfortable, whether it is Russia or India. In fact, FinCEN did a study in accordance with the requirements of the PATRIOT Act, Section 359, that required us to develop a report on the informal value transfer systems and report to Congress. That report has been completed, and we actually worked with the Indian government's law enforcement community because of the prevalence of such IVTS activity in their nation.

So from my corner of the world, we are getting the cooperation that I think is appropriate. I can't speak for the larger picture that I think you are moving towards, but I am comfortable with our exchange of information.

Mr. CROWLEY. I have some other questions of the second panel, so what I would like to do is yield the balance of my time to my colleague from Washington.

Mr. INSLEE. I thank you, Mr. Crowley.

I was asking you about what the sources of the funding for the September 11 attack were, and Ms. Fisher was good enough to identify the United Arab Emirates and Germany. I think that was the end of the list. Then I added Saudi Arabia, because at least there were some Saudi Arabian nationals, 15 of the 19. So, in some sense, some Saudi Arabian nationals were involved. But there were other countries that—I didn't hear any involvement from Spain, from Italy, from Yemen or, interestingly enough to many Americans I think if they knew this, from Iraq.

It is interesting to many Americans because 42 percent of Americans in a recent poll I saw had the belief that Saddam Hussein was involved in the attack of September 11. This is one of the justifications that has been inserted for the propriety of the war that is about to start; and I just want to make sure I understand and Americans understand that the agencies represented here today, the Department of Justice, the Department of Homeland Security, the Department of Treasury and Operation Green Quest, do not have information indicating that Saddam Hussein financed with one dollar or one dinar the attack of September 11. Is that the situation?

Ms. FISHER. I just want to clarify what I had said before, which is when I mentioned U.A. And Germany that it was the public information that I felt comfortable with testifying to, that there may be other information within the Department that has not been made public or as I sit here today I am not sure that it has been made public that I can't testify to. So I wanted to clarify the record on that.

Mr. INSLEE. Can anyone add any other information?

Mr. HOGLUND. I can't testify to your specific question, but, as we have said, Operation Green Quest, the purpose was to exploit the systems that can be used in terrorist financing, and we certainly have cases and evidence of funds going to Iraq. However, what those funds have been used for, I am in no position to say at this point.

To your larger question as well, I think one example—we will follow the money wherever it is going. The Ptech case in Boston, which I can't go into any great detail, but that involves a specially designated Saudi Arabian business man and that investigation pertains to that individual's business dealings in the United States and where that trail, that business may lead in relation to that individual.

Mr. INSLEE. Well, just so you will know, I have gone to a lot of briefings here in the Capitol. I have been pretty attentive to what the President has been saying, because I think that is very important. I have been listening very carefully to the agencies that you represent—well, I think. And to my knowledge, at the moment, at the moment, the United States Government has not suggested a shred of evidence to indicate that there was financing for the September 11 attack from Iraq. That is a very important fact that I think Americans ought to know if it is true.

If it is not true, if it is not true, if there is evidence of a financial connection between Saddam Hussein and the September 11 attacks, Americans need to know that; and I would encourage you to talk to the administration. Because if there is such evidence, we ought to know about it; and today we don't. Yet 42 percent of people have reached this conclusion, and I think that is very interesting.

I yield back the remaining part of my time.

Chairwoman KELLY. Mr. Inslee, there is more time left.

In my opening statement, I believe that I did make a connection, and I will give you that passage, of the connection between Saddam Hussein and the financing of the terrorism. I will give you a copy of that so you can see that, and perhaps you would like to talk to some of these people in private.

I go now to Mr. Murphy.

Mr. MURPHY. Thank you, Madam Chairman.

I want to clarify one of the questions you were just asked. You are not saying there is no connection between Iraq or any terrorist organizations that operate within Iraq? You are saying at this time you have to be careful what you disclose, correct?

Ms. FISHER. I think the question, as I understood it, was, is there any money that we have traced back to Iraq going to the September 11——

Mr. MURPHY. Not necessarily the government of Iraq but in the organization.

Ms. FISHER. As I sit here, I am aware that some money flowed through the countries that I mentioned, but as to the source of the funds or otherwise, I am not clear in my mind what is public and not public, and I don't want to talk about things that I know are classified. I make no comment. Don't draw any conclusions from what I have said one way or the other.

Mr. MURPHY. Let me ask about other sources.

Among some of the organizations that have been set up that the money has flowed through, in some circumstances it has been well-intended citizens who have given money intended for charity to help the poor or other needy within those countries? If so, what sort of due diligence should citizens take when approached to give money to charities? Is there anything else we need to do to require more disclosure from charities to say where the money is going to?

Ms. FISHER. Clearly, I can mention that the defendants charged in the cases are alleged to have defrauded the people that donated. One is the case in Syracuse involving Help the Needy, where it is alleged that the people that ran that charity defrauded the people that actually gave money and that that money was filtered through to Iraq without a license but that there were statements made in their propaganda that either said they had a license or something along those lines, so they were actually trying to defraud them.

Also, in the case of Enaam Arnaout, who was the executive director of Benevolence who recently pled guilty in Chicago, I believe also there were allegations that some of the victims didn't know that their money was actually—may be targeted, as alleged, to go to fund the Chechnian rebels.

I think it is possible that some of the victims don't know.

Mr. MURPHY. They receive this through cash, checks, credit card or all of the above?

Ms. FISHER. All of the above.

Mr. MURPHY. On another aspect—certainly I believe, as members of the committee believe, that the vast majority of Muslims in this country are law-abiding citizens who care a great deal for this Nation as well as for other Muslims throughout the world. Can you state for the record the level of cooperation you have received from other folks who are of the Muslim community and what they have provided you with?

Ms. FISHER. We have gotten excellent cooperation from the Muslim community. The case in Buffalo, the Lackawanna cell that we have charged of the individuals who went to Afghanistan to attempt to train, the Muslim community in Buffalo was excellent in their cooperation. I think that, from a law enforcement perspective and criminal enforcement perspective, we have great cooperation from the Muslim community from across the country.

Mr. MURPHY. Going back to my questions then, in general, for the American public, anybody who is approached by any organization purporting to be helping the needy in Mideast countries, they need to check out those organizations themselves and ask for a license and not just be told that is the case. Perhaps should they follow up with law enforcement agencies to say that they have been approached by them?

Ms. FISHER. Well, they certainly can. We have gotten a lot of inquiries from the public, and we try to help them. I think FinCEN has some best practices on these issues that they might be able to talk about.

I would also note that there are—people dedicated as terrorist groups or terrorist organizations are listed, like foreign terrorist organizations are listed by the Department of State. Also, the people—individuals and organizations that are listed pursuant to IEEPA are also available on the Web site so people can check those organizations out before they donate.

Mr. MURPHY. Thank you very much.

Thank you, Madam Chairman.

Chairwoman KELLY. I want to call to people's attention that we have some slides with the interconnections of things showing on the back wall. You may want to take a look at that as people are talking. It does put some things in place.

Mr. Gutierrez.

Mr. GUTIERREZ. I get caught up in the slide up there.

Let me ask Ms. Fisher, since 9/11, the proceeds from drugs appear in some cases to be very lucrative channels for funding criminal activity such as terrorism. Could you explain what percentage of your efforts are being dedicated in this area?

Ms. FISHER. I would hate to try to quantify it, but I can tell you that we see this as a significant problem and a potential significant source for funds for terrorism.

There is two particular cases that I have mentioned that we have charged in this area. One is a case out of San Diego where the defendants are charged with attempting to exchange heroin for Stinger missiles, so it was a drugs-for-weapons case. Another case we have charged in Houston relates to another kind of negotiation,

drugs for weapons, with the weapons going to AUC which is a terrorist group of Colombia.

So we are focusing on that. We think that drug proceeds as well as other proceeds from illegal activity such as the cigarette smuggling, which was the case in North Carolina, are often used to fund terrorist organizations and violent acts abroad.

Mr. GUTIERREZ. The importance of cooperation and coordination among local, State, Federal and cooperation in the enforcement and the prevention of terrorist financing, could you tell me a little bit about what is going on at our level to help cities and States? Are we providing any financial assistance to those cities and States? Just what are we doing?

Whoever amongst the panel who feels most qualified to answer the question.

Mr. SLOAN. FinCEN has quite a successful program known as Gateway. Gateway links all 50 States, Puerto Rico and the District of Columbia with FinCEN. FinCEN trains the individuals at each of the State capitols. They may be in the Attorney General's Office or in a division of the State police of an individual State, and it allows each of the States to sort of tap into the FinCEN network and join with their counterparts at the Federal level in not only sharing leads and information but deconflicting cases.

We think that this has been a very important tool. In fact, last year alone, we had over 1,600 cases in which State and local law enforcement were linked with either a Federal case or another State and local case by virtue of coming through the FinCEN network.

We meet regularly with this group. Actually, in most instances, having been both a local police officer and a Federal agent, I can usually tell you it works the other way around, where the Federal agency claims they are there to help you. In this case, the State and local activity dealing with Gateway is something that the Federal agencies are starting to join, which is making it a more successful operation, from our perspective.

Mr. GUTIERREZ. Thank you.

I guess if we could—maybe Ms. Fisher or Mr. Sloan, Mr. Hoglund can at some point after the hearing, because there has been this issue raised about what we have been doing in this country and the actions of our Federal Government vis-a-vis Iraq specifically and the financing and because I don't want to put an onus on you about what you can and cannot say, if you could just respond in writing at a later point and say, members of the committee, here is what we think. That way you don't have to say, God I won't say anything—because I don't want you to say anything. I don't. And I understand that that could be a problem. So think about that so we can have the information.

Because I haven't seen it all come together. I see the chart up there, but I hear the testimony. I know money went to Bosnia. I know money went here. But I look at September 11, and I don't see the connection specifically in terms of the financing of that or other issues, and I think that that is an important issue.

Lastly, let me just share with Mr. Hoglund that I think one of the things you might want to consider, because I know that the Justice Department and I know the Attorney General is taking

many, many steps in order to watch, monitor, surveil the going on of people or peoples within the United States of America, and he wants to know what is going on here because we need to know. But we have got like 10 million people that he knows, which all of you know and which I know are in the United States without documentation, most of whom are working in the United States.

I went to the Holiday Inn, and the young lady asked me when there could be a program where she could get legalized. I went to IKEA and as they were putting the furniture in my car, the guy said, Gutierrez, do you think there is going to be a legalization program? When I went to go get my gardening equipment—you get my drift—and the guy picking up my dishes in the restaurant—either I am a magnet for people who are undocumented in this country or they are everywhere and they are a part of our life. And I think they are a part of our life, whether it is the lady cleaning up my room, the guy at the gardening center or the one helping me put equipment from the IKEA.

It doesn't matter. Given that they are here working and in jobs that are pretty low-paying jobs and that we have an issue of security, I mean, we want to know who is in the country.

A funny thing occurred to me that I think I could identify for you, with you. Ten million people, I am sure they would give up their fingerprints, give you pictures themselves and tell you their life history if they could get a card. And I don't say this jokingly. There is 10 million of them. Issue a security card if they are working and obeying all of the laws and contributing. Maybe we should bring them in. Those will be 10 million fewer people you will have to watch or monitor because you will know. They will join our banking system.

Mr. CROWLEY. Now you know why he is a magnet.

Mr. GUTIERREZ. Maybe we should bring them into our system, and I mean that genuinely, because I keep watching your efforts to know what is going on in the country. So just a suggestion.

Thank you, Madam Chair, for your courtesy.

Chairwoman KELLY. Thank you.

Ms. Brown-Waite.

Ms. BROWN-WAITE. Thank you very much, Madam Chair.

Coming from the Tampa Bay area, the arrest of Sami Al-Arian was very interesting to many people. The question that I have is, when the whole issue began, I contacted Judy Ginshaft at the university and I said to her I wanted her to interview every single student that he had contact with and see if there was any attempt on his part to openly advocate violence against America, against any American. Her comment at the time was something like, well, that is not really my job; and I am not getting a lot of help from the Department of Justice or the FBI. Tell me what changed from—and this was before 9/11 that this call took place—tell me what changed, other than 9/11.

Ms. FISHER. As far as the cooperation with the Department of Justice or what changed about his activities?

Ms. BROWN-WAITE. First of all, he wasn't in the classroom because he was on administrative leave all that time.

Ms. FISHER. I want to make sure I understand the question.

Ms. BROWN-WAITE. What changed his activities?

Ms. FISHER. I think that the Indictment explains. It is quite lengthy, and it is about 120 pages. It explains years of activities by Mr. Al-Arian and other defendants that are charged in the case that make it very clear that they were very involved for some time in the leadership of the PIJ here in the United States.

Ms. BROWN-WAITE. Ms. Fisher, with all due respect, I have read it. It is old information that was there before 9/11. I am asking you again, what changed? Because that information—the clear majority of it was information of activities before 9/11. What happened that all of a sudden he is now arrested? That information was known and out there.

I think my basic question is—and I didn't see it in the Indictment—that you were ever able to tie in any kind of advocating of violence that he engaged in while a professor at the university. And, believe me, I am not defending the man at all.

Ms. FISHER. I understand your question now. I am sorry. I may have been a little dense as to it.

Something very significant happened over the past year with regard to this case, and I think it is a great example of information sharing and some of the tools we were given by the PATRIOT Act for information sharing on intelligence and some of the tools we were given by the Court of Appeals for the FISA Court of Review with regard to now allowing our intelligence operation share information with our prosecutors.

So for a long time, and as it is outlined in the Indictment, the activities went on, and they were monitored for intelligence reasons, but they weren't necessarily fully shared with prosecutors that were looking at criminal charges in the case. With the PATRIOT Act in the recent—just last year—FISA Court of Review opinion, it allowed us to share that information back and forth; and, at that point, it was appropriate to bring the charges. So I hope it gives a little bit better answer to you question.

Ms. BROWN-WAITE. It does. And I wasn't here last year. I am a new Member.

First of all, in response to a previous question, you said that the charities that are questionable are now on-line. You have a list of them on-line. Was this the case before 9/11?

Ms. FISHER. Yes, absolutely. The designation process for IEEPA purposes has been in existence I think since 1995, and I believe that some of the members of PIJ had been listed as early as 1995—that is correct. As far as foreign terrorist organizations, the 36 organizations that are listed by the Secretary of State in conjunction with the Department of Justice and the Treasury, that process started in 1997. Those are 2 years, and they are renewed every 2 years.

Ms. BROWN-WAITE. One last question. Are universities still insisting upon a subpoena or court order before they will release information when you are trying to find out whether or not a student is an alien in a particular college? Are some States still requiring that? And, if so, can you supply us with a list of the States that are?

Ms. FISHER. I am not aware of any problems in this regard, but I would like to check and ask around a little bit because there may

be some that we are not aware of. So if we could supplement an answer.

Ms. BROWN-WAITE. If you could get back to the committee Chair.

Chairwoman KELLY. Ms. Fisher, if you could supply that list, please try to do that and bring it to the committee.

Mr. Garrett?

Mr. GARRETT. Good afternoon. Can any one of you provide us with more detail on the degree, if any, of foreign cooperation or the lack thereof—specifically, if you could address the countries that have strengthened their anti-laundering laws in response to the PATRIOT Act?

Ms. FORMAN. If I could address that. We are working very closely with various foreign governments in Europe, specifically, England, Italy—we have Italy—representatives from the Italian police in our office today. We are working with Switzerland.

We have entered into the first memorandum of understanding to work in international terrorist financial investigations where we exchange law enforcement officers to work on the case and ensure the timely exchange of information. We are working with Canada, and we are working with countries in Asia.

We also follow the foreign leads, once again tracking and following the funds. We have created financial investigative teams solely made up of Green Quest agents and analysts, and sometimes in combination with the Federal Bureau of Investigation, and we travel overseas and meet with these foreign governments to track the money.

Mr. GARRETT. To follow up on that, you gave us some of the countries that are stepping up to the plate, it sounds like, working with you; and specifically on the money laundering side, are there those that you have reached out or we have been seeking assistance from and they are not giving us the assistance that we would prefer?

Ms. FORMAN. We are working with various governments—"we" being the Bureau of Immigration and Customs Enforcement, 31 foreign attache officers. Some countries are more readily available to provide information, and some are less. But we are working to chip away at that resistance and getting some of the information that we need.

Mr. GARRETT. So there is none specifically that come to mind that we should be doing anything we can from this end as far as encouraging them to step up to the plate more so than they have done in the past?

Ms. FORMAN. Not at this time. We recently just provided training in Qatar and Kuwait. We are working with other governments that have requested and we have reached out to provide this additional training so they know what to look for. In some instances, it is they just don't know what to look for, and they don't know what those signs are, and we are helping them with that.

Mr. GARRETT. Any European nations that we should be specifically asking more assistance from than they have been in the past?

Ms. FORMAN. Not that I am aware of at this time.

Mr. GARRETT. I don't know if this is yours or the rest of the panel. Recently, the Deputy Secretary of State was quoted as saying, maybe the Hezbollah is actually the A team of terrorists, in-

stead of al-Qaeda. There is news every day with regard to finding Osama bin Laden. If we were to find him today, tomorrow or in the near future and therefore perhaps cut off or decapitate the head of al-Qaeda, wouldn't Hezbollah still remain a significant force despite that?

Ms. FORMAN. I think I will refer this to my DOJ colleague.

Ms. FISHER. Well, I certainly think that Hezbollah and al-Qaeda and the other terrorist organizations are a significant threat against the U.S., so our efforts certainly don't stop at al-Qaeda, whether it is in terrorist financing or the war on terrorism. We think it is global and that it is broad reaching to all the terrorist organizations.

Mr. GARRETT. Does it change your focus of your efforts or your energies if that capture were to come tomorrow? You would still be looking at al-Qaeda but would be changing your focus from there elsewhere or would you continue on the path that you are on right now?

Ms. FISHER. I think we are continuing all paths right now. I mean, I think we are focused on all of the organizations that we think pose a threat to U.S.

Mr. GARRETT. I thank you very much for your answers.

I yield back.

Chairwoman KELLY. If there are no more questions, the Chair notes that some members who were unable to be here or even the ones who were here may have additional questions for the panel and they may wish to submit those questions in writing. So without objection, the hearing record——

Mr. Crowley, I thought you went.

Mr. CROWLEY. You did recognize me. Could I have an opportunity for a second round or maybe a possibility for a second round?

Mrs. KELLY. I don't think so, because we have some planes that need to be caught. So if you don't mind——

Mr. CROWLEY. Could I make one statement very quick?

Chairwoman KELLY. By all means.

Mr. CROWLEY. We usually tend to want to help our colleagues' attempts to make some questions, and I yielded some time. Had I known where the direction of the questioning went, I may not have been so quick to yield my time to my colleague.

Because I think you failed to make the one point and that is Saddam Hussein has supported terrorism in the Middle East, specifically in Israel, in which it is my understanding he has given $25,000 to each family of a homicide bomber, a person who straps explosives on themselves and walks into a crowded mall or into a bus and blows themselves up. To me, there is no difference between a person who does that and a person who gets into an airplane and flies into the Twin Towers in New York City, killing themselves and taking innocent lives; and that is a connection that I think the American people can certainly understand.

Chairwoman KELLY. Thank you, Mr. Crowley.

Without objection, this hearing record is going to remain open for 30 days; and members will be able to submit their questions and place their responses in the record.

This panel is excused, and we do thank you very much. We are sensitive to the fact that you have limits on what you can say, and we appreciate the fact that you attempted to answer our questions to the best of your ability. We are very grateful for your time, and this panel is excused with our appreciation. Thank you very much.

As the second panel takes their seats at the table, I am going to begin the introductions. For our second panel we welcome Steve Emerson, the Director of The Investigative Project; Mr. Matthew Epstein, Assistant Director of The Investigative Project; Mr. Larry Johnson, CEO of BERG Associates; Mr. John Moynihan, Senior Investigator for BERG Associates; and Mr. John Byrne, Senior Counsel and Compliance Manager for the American Bankers Association.

I want to thank each one of you for testifying before us today, and I welcome you on behalf of the full committee.

Without objection, your written statements and any attachments will be made for part of the record.

You will be recognized for a 5-minute summary of your testimony. When the light changes color on the timer before you, you should move toward the finish.

Chairwoman KELLY. If you are all settled and ready, we begin with you, Mr. Emerson.

STATEMENT OF STEVE EMERSON, DIRECTOR, THE INVESTIGATIVE PROJECT

Mr. EMERSON. Thank you for the opportunity to testify, Madam Chairman.

I want to let you know that you have a very excellent staff. Even though there is a pay freeze right now, they should be compensated with lots of praise. Andy has done a great job and also knows how to use a Blackberry very well.

Chairwoman KELLY. You realize what that is going to cost this committee?

Mr. EMERSON. You can put a supplemental in.

It has been 18 months to the day since the horrific events of 9/11. The question is, where we do we stand?

Consider this one interesting fact. In the 8 years before 9/11, there are a total of just two prosecutions in the United States of terrorist financing. Since 9/11, there have been at least 70 criminal investigations, $113 million in frozen assets; and, according to informed sources, there are at least another 100 investigations in different preliminary stages. Terrorists raising tens of millions of dollars have existed in the United States for more than a decade. They include every single veritable member of militant Islamic organizations: Al-Qaeda, Hamas, Hezbollah, Palestine Islamic Jihad. They exist not just in the major cities but in small towns as well as major cities from Seattle, Washington; Boston, Massachusetts; Moscow, Idaho; Syracuse, New York; Charlotte, North Carolina; Tampa, Florida; Dallas, Texas; Portland, Washington; Plainfield, Indiana; Buffalo, New York. I could go on listing numerous other cities.

The question is, how did they operate here? They didn't list their names generically. They operated under false cover. They had inno-

cent-sounding names. They operated under humanitarian cover, under religious cover, under human rights cover.

Example, the al-Qaeda organization operated from its very inception under an organization called the Benevolence International Foundation. It was deliberately set up in the United States to provide a conduit for al-Qaeda in terms of its financing worldwide.

Same thing for al-Qaeda in terms of Global Relief. It was shut down, as was Benevolence International, after 9/11. Iraq, as we heard this afternoon, operated—it got moneys through Help the Needy, a fake organization based in Syracuse, New York, and other places in the United States. Moneys were going into illicit purposes.

Hezbollah operated a cigarette-smuggling scheme in Charlotte, North Carolina.

Al-Qaeda just used recently, as the indictments in New York revealed last week, the Al Farouq mosque in Brooklyn.

The Palestine Islamic Jihad, one of the most notorious terrorist groups in the world today, operated from at least 1984 through the present under false cover in the United States under the monikers of an academic group, The World Islamic Studies Enterprise, the Islamic Committee for Palestine, as well as the Islamic Academy of Florida through the operations of a professor at the University of South Florida at Tampa.

Of course, Hamas, that would also belong, I believe, together with Hezbollah, as the A team of terrorist groups, operated through an organization that received nonprofit status called the Holy Land Foundation for Relief and Development. Wiretaps by the FBI in 1993 and 1994, unfortunately and tragically only translated and transcribed in 2001, show that Hamas officials knew exactly what they were doing in setting up a fund-raising mechanism in the United States, knowing exactly how far to press the limits of the U.S. Law.

At the end of the day, I believe we will find tens of millions of dollars, perhaps totaling even more than 100, that have been raised by militant Islamic groups from the early 1990s through 9/11.

What are the common denominators that are common to all these schemes?

One, al-Qaeda, Hamas, Palestine Islamic Jihad deliberately set up in the U.S. To exploit our freedoms, religious tolerance, pluralism and lax financial controls.

Number two, Saudi Arabia support for militant Islamic groups, including charities today that operate in the United States, including the Muslim World League and the International Islamic Relief Organization, organizations that have been directly tied to al-Qaeda and financing of terrorist groups and have not had their assets frozen, their influence is able to prevent acquisition and seizure of terrorist assets in the United States.

Number three, the disparate and compartmented number of agencies collecting information made it very easy for terrorist groups to find the crevices and the cracks to evade any detection.

And bottom line is that in the last 10, 15 years the terrorists had a lot of time to create elaborate financial schemes.

The U.S. Government is doing a phenomenal job, I believe, in terms of trying to play catch-up. We still have a long way to go.

In working with Federal agencies and working with those investigators on the ground, thousands of unsung heroes have emerged since 9/11; and I believe this country owes a great deal of dedication to them.

Chairwoman KELLY. Thank you very much, Mr. Emerson.

[The prepared statement of Steve Emerson can be found on page 69 in the appendix.]

Chairwoman KELLY. Mr. Epstein.

STATEMENT OF MATTHEW EPSTEIN, ASSISTANT DIRECTOR, THE INVESTIGATIVE PROJECT

Mr. EPSTEIN. Chairwoman Kelly, distinguished members of the panel, thank you for the opportunity to testify.

In 1993, Osama bin Laden told senior al-Qaeda lieutenants that three Muslim charities provide the primary sources of al-Qaeda financial support, including the Muslim World League and Benevolence International Foundation. Far from nebulous, back-room organizations in faraway lands, these charities set up major operations right here in the United States. Just as the security and strength of our financial and corporate institutions attract unparalleled investment capital, they also attract financiers of al-Qaeda terrorist organizations.

In 1989 and 1990, the Muslim World League based in Saudi Arabia established branch offices in Falls Church, Virginia, under the operational arm, the International Islamic Relief Organization and Sanabel Al-Kheer. In the United States, the board of trustees of these organizations included two suspected al-Qaeda financiers. From 1991 through 1999, IIRO laundered millions of dollars through private U.S. Front companies, including a privately-held Islamic investment bank financed by two specially-designated terrorists and a chemical company located in Chicago, Illinois, that was raided by FBI agents in 1997 as part of a terrorism and money laundering investigation.

An accountant at the Islamic bank told the FBI that he feared that moneys transferred overseas may have been used to finance the East African embassy bombings. IIRO's tax forms revealed that the vast majority of the money was channeled to operations in Bosnia, which we now know supported al-Qaeda infiltration into Western Europe.

In 1993, al-Qaeda operatives established the Benevolence International Foundation in Chicago, Illinois. From 1993 to 1999, BIF collected over $12 million by way of personal checks, wire transfers and stock donations. Moneys were then transferred overseas by wire to al-Qaeda-controlled accounts and ultimately withdrawn in cash to support al-Qaeda operations.

As seen in the recent Palestinian Islamic Jihad out of Tampa, Florida, money is the lifeblood of terrorist organizations.

The PATRIOT Act has made major impact in slowing terrorist financing. However, continued vigilance is mandatory as terrorist organizations quickly adapt to U.S. Counterterrorism legislation.

Indeed, following the passage of the 1996 Antiterrorism and Effective Death Penalty Act, FBI wiretaps caught senior terrorist

leaders in the United States discussing exceptions in the material support restrictions for medical aid. As a result, U.S.-based front charities began using medical equipment as currency for terrorism support.

As a new generation of al-Qaeda leaders mature, we need to remain flexible and nimble in identifying and quashing all forms of financial support for international terrorism. Deserving particular attention are, one, charities, businesses and individuals with operations in conflict areas, including Bosnia, Chechnya, Afghanistan and the Sudan; two, financiers holding interests in dozens of shell companies in the United States with substantial overseas financial activity; three, unorthodox leasing activity and real estate transactions.

Our enforcement agencies and task forces, including Operation Green Quest, the Criminal Division of the Department of Justice, the Department of Treasury, the FBI, IRS, INS and Customs, as well as the numerous U.S. Attorneys throughout the country have made great strides in shutting down financial operations. Continued vigilance and interagency cooperation is necessary as al-Qaeda regroups to press our Nation's resolve.

Chairwoman KELLY. Thank you very much, Mr. Epstein.

[The prepared statement of Matthew Epstein can be found on page 104 in the appendix.]

Chairwoman KELLY. Mr. Johnson.

STATEMENT OF LARRY JOHNSON, CEO, BERG ASSOCIATES

Mr. JOHNSON. Pleased to be here today with my partner and friend, John Moynihan.

Oftentimes, you don't get the chance to do this on the Hill, but John, on October 21, was up here before this committee. He was the one who suggested you need to do something about the unlicensed money remitting business. Congress did something, this committee in particular; and, as we heard in the panel before, it has been one of the most single important acts in going after the terrorist network.

Terrorists need two things to thrive and prosper. They have to have a safe haven, which means they either have a state that sponsors them or they are set up in a dysfunctional state and they need money. You cut the money out from under them, you take their heart away, because money requires—you have to train people, you have to feed them, you have to transport them. In reality, the money part of this and the work this committee has done has been more important than anything that the Department of Defense has done in killing them. I am in favor of killing the terrorist, but when you take the money away, you go a long way towards helping protect us.

What we do in our company, we are fortunate to support the Department of Justice in some investigations, but we also work in the private sector and get out in areas such as the Colon Free Zone of Panama and some of the other free zones. We see these merchants that operate within the international financial system, and that international financial system is much like a superhighway that provides those who want to engage in terrorism a road that they can get things done.

The most significant change we have seen with terrorist activity vis-a-vis financing is with the end of the Cold War and the real dramatic decline in state sponsorship—while it is true Iran, Iraq, Syria continue to provide sponsorship—what we have seen is those groups that do remain have engaged in the whole spectrum of economic activity, ranging from criminality to setting up legitimate businesses with charitable organizations in the middle.

I would like particularly to make reference to the case cited with Hezbollah in North Carolina. Those individuals, when they finally arrested them, they had two-page rap sheets. That means they had committed felonies prior and misdemeanors and had not been prosecuted because the crimes were considered below the threshold.

The other part of that case, the point that needs to be made which is so important, these folks that are engaged in these terrorist activities understand how to game our system; and if they can get underneath the law, they can break it but not be prosecuted, they will do so. As John will be able to elaborate in more detail, we are still seeing that.

I have a power point presentation that I would like to run through to illustrate how the charitable organizations have done this.

This was a case that was conducted out in Chicago—still active. It was done as a civil forfeiture, civil seizure. The FBI agent on it was a man named Bob Wright.

The Quranic Literacy Institute set itself up as a charitable organization, ostensibly to teach people how to read the Koran. The names that are listed there was the president, the corporate secretary and trustee. The person to the side, Mohammed Salah, has a question mark by his name, because when he went and presented documents to a bank to get a loan he said he was an employee of that organization and he had letters from the president that said he was an employee of the organization and yet there was no corroborating information, no paycheck, no W-2, no contract. The man was a pseudo employee using this charitable organization as a device by which to conduct operations which you will see led to terrorist financing of Hamas.

If we go to the next slide, here we see one of the individuals that was alluded to by the previous panel by the name of Yassin Kadi, a Saudi citizen. He is also involved with the Ptech case. This individual, Tamer Al-Rafai, had a corporation, Golden Marble. He was asked to go purchase a piece of property. To purchase that piece of property, what can only be described as a gift from Mr. Yassin Kadi, who sent the money to him. No loan agreement, no requirement to pay it back, sent him the $820,000, gave him instructions. They prepared three different checks of different amounts that were then passed to the Quranic Literacy Institute for being cashed later. They held onto those checks until they got the 501(c)(3) status as a charitable organization; and, ultimately, later on, they used that property as an asset to draw money from it to then shift into the hands of a terrorist group in the Middle East, Hamas.

If we go to the final slide, this shows the kind of money laundering activity that you would see with drug organizations. But it is important to note, this is not typical money laundering. This does not start with a predicate crime. It starts with legally raised

money, in some instances. But what they have done in this case, money came from Faisal Financial Services of Geneva, that is King Faisal of Saudi Arabia, who diverted some money directly into the bank account of Mohammed Salah. Other funds were sent to Ubu Marzook, the political director of Hamas. Two other individuals, one known and one unknown, Gazi Abu Samah and someone in Dubai, also sent money directly to Ubu Marzook. Marzook then channeled this money to Mohammed Salah, who carried it to Middle East; and it was used both to pay for families of people engaged in suicide terrorist attacks as well as to fund terrorist operations.

I would like to tell you that this is an exception, but what Steve and Matt talked about and what John will talk about, it is typical of how these groups can exploit charitable operations.

I think the work the committee has done on this front has been important, and I commend you for it.

Chairwoman KELLY. Thank you very much, Mr. Johnson.

[The prepared statement of Larry Johnson can be found on page 149 in the appendix.]

Chairwoman KELLY. Mr. Moynihan.

STATEMENT OF JOHN MOYNIHAN, SENIOR INVESTIGATOR, BERG ASSOCIATES

Mr. MOYNIHAN. Thank you, Madam Chairwoman.

On the occasion of my last appearance before the committee, I testified about BERG experiences with the understanding of the numerous and formal financial systems that operate around the world. At that time, the committee had great interest in hearing about my experiences with hawala, black market peso and other parallel money markets and how money moves in these underground financial systems. We helped shed light on the ways to implement programs to stem the flow of illicit dollars within criminal terrorist groups like al-Qaeda.

The committee may recall I specifically recommended a Federal law criminalizing the act of engaging in money exchange without a license needed to be adopted. Indeed, the PATRIOT Act, enacted within a few months, modified the law, Section 1960 of Title 18, U.S. Code, making it a more important, effective tool in the use of prosecution of unlicensed money remitters. We would like to applaud the actions of the committee in moving that legislation amendment forward and making the law a more effective tool to combat international organized crime and terrorism.

Likewise, we would like to applaud the efforts of the various Federal law enforcement agencies which have aggressively investigated and penetrated these hawalas, black market financial systems over the past 18 months. You should know that our work as a government contractor brings us in close personal contact with Federal investigations. From a variety of Federal agencies we can personally assume, the committee, that good use is being made of Title 3 of the PATRIOT Act. Important investigations are being conducted, and significant advances in the war against organized crime and international terrorism are being made using the recommendations within these Chambers of 1960, Title 18.

With that said, more needs to be done. Today we would like to address another important area of international money movement

which in our experience has proven to be a very effective means of laundering criminal proceeds internationally; that being the use or, more correctly, abuse of cash letters, sometimes referred to as an international pouch.

So what is a cash letter? In layman's terms, a cash letter is an interbank transmittal letter that accompanies checks or cash instruments that are sent from one bank to another internationally. Large banks receive cash letters on a daily basis from correspondent banks. These cash letters can often contain hundreds or thousands of checks that are bundled together and sent to a corresponding bank for collection.

Once received, the checks must be sorted and processed and ultimately forwarded to the payee banks for collection. Checks are often routed through the Federal Reserve System and other bank or regional check processing centers for collection.

In short, the cash letter agreement between banks is a depository action that is in place to ensure that foreign banks get paid for checks they accept for deposit from abroad.

In recent years we have personally noticed an increase in the use of cash letters as a vehicle for international money laundering. As wire transfers and other forms of traditional laundering have come under increased scrutiny regulation, organized crime groups and terrorists have turned to other methods of moving their money internationally. Consequently, the international movement of bulk quantities of personal checks now figures prominently in money laundering or money movement schemes.

First some relevant background. Banks open bank accounts for other banks. These are known as correspondent accounts. These correspondent accounts are used for the movement of funds between banks. Many times the correspondent will send monetary instruments from the overseas locations to the United States to be deposited into the correspondent bank account. Those checks, money orders, cashier's checks, et cetera, are accompanied by a deposit slip that details the value of the instruments with the date and the accompanying checking account number that the funds are to be deposited into. This in essence is a cash letter.

These cash letters are sent to designated areas of the bank for processing. Some banks handle as many as 5- to 7 million checks a day for processing. Therefore, when these cash letters are delivered to the banks by shipping companies in pouches and overnight bags from abroad, it would be extremely difficult to ensure that those instruments are not the subject of or facilitating money laundering.

How do these instruments end up in the hands of correspondent banks abroad? There are many ways in which this could happen. As an extension to the last time we were here regarding 18 USC 1960 involving unlicensed money remittances, many people seek to send monies abroad.

In the interest of time, I am going to cut short this speech and cut to the chase. Here is the deal. These checks come from abroad, they land in our banks; they are accompanied by a deposit ticket. Once these millions of checks arrive, they are deposited into accounts. These accounts then—correspondent accounts are credited for the value of these checks. But what we miss in our investiga-

tions is the offsetting credit that goes along with the deposit of these checks abroad. For instance, if a series of checks were sent to a Middle Eastern bank, those checks are accepted. They are then put in a pouch, U.S. Denominator checks, and they are sent here to the United States and deposited into the corresponding account. It is those credits on the other side of the ocean that we miss all the time. It is those credits that are then funneled back to the folks in those foreign countries. It is those credits that are used for criminal activities.

Here in the United States we should be able to recognize that the way these checks come in, the huge volumes of these checks come in, and the way they are purchased, structured, and enumerated are examples of money laundering. We need to capture this, and 18 USC 1960 could be better aided if we were able to establish that people who do these types of crimes either through correspondent accounts or personal accounts should be held to the standard of having a presence here. The mere fact that an individual has an account here should constitute presence in the law, and that is something that should be addressed for further prosecution.

Thank you.

Mrs. KELLY. Thank you very much.

[The prepared statement of John Moynihan can be found on page 152 in the appendix.]

Mrs. KELLY. Mr. Byrne.

STATEMENT OF JOHN BYRNE, SENIOR COUNSEL AND COMPLIANCE MANAGER, AMERICAN BANKERS ASSOCIATION

Mr. BYRNE. Thank you, Madam Chair, Chairman Oxley, members of the subcommittee. The ABA appreciates this opportunity to discuss the myriad of challenges faced by the financial industry and the government in addressing the scourge of terrorist financing. Our members have been diligently working to assist the government, and our comments today are offered to simply improve the system.

Seventeen months after the enactment of the USA PATRIOT Act, an act the ABA strongly supported, the effects of these new laws and regulations on terrorist financing and money laundering are still being assessed. ABA was particularly pleased to learn of the Treasury Department's commitment to continue to provide oversight in this area after the regulations have been finalized. The creation of a Treasury task force on the PATRIOT Act as well as the creation of the Office on Terrorist Financing and Financial Crimes are welcomed developments.

Our association has offered the following as needed areas of improvement to USA PATRIOT Act oversight: The creation of an office for USA PATRIOT Act oversight; immediate development of a staff commentary for PATRIOT Act and Bank Secrecy Act interpretation; a review of the 314(a) demands for record searches that were discussed earlier today; formal commitment from all functional regulators for uniform and consistent PATRIOT Act exam procedures; coordination between the Treasury's Office of Foreign Assets Control and the financial institution regulators to improve advice to the regulated community; and improved guidance and

communication on all SAR-related issues, particularly in the area of terrorist financing.

We provided detail on all of these recommendations in our written testimony, and some of these are being addressed by our government partners, but I would like to briefly cover several issues.

There is no clearer example of a positive public policy goal not being met than the implementation of section 314 of the USA PATRIOT Act. While we recognize that government is faced with tremendous challenges to track terrorist funds, section 314 warrants a thorough review to ensure consistency with both congressional intent and the need to establish a more workable system.

In November of 2002, FinCEN and the primary Federal regulators put into place a brief moratorium on section 314(a) information requests. This moratorium was a direct result of the confusion faced by the recipients of the request to our industries. In several instances the information requests went to employees no longer with the bank, came in bunches several times a day, and had a very quick 7-day response deadline. In addition, many of our members complained that there was no apparent connection to terrorism or money laundering in the requests. In fact, the requests seemed to be a dumping ground for law enforcement cold cases clearly not anticipated by Congress.

Since that time, I am happy to report, the regulators, FinCEN, and Treasury have made adjustments and revised the process to address a number of logistical issues and to develop additional guidance. The announced changes include some of the following: The 314(a) requests from FinCEN are to be batched and issued ever 2 weeks rather than every single day unless otherwise indicated in the request. After receiving a 314(a) request, institutions will have 2 weeks rather than 1 to complete their searches and respond with any matches.

While these changes appear helpful, the initial responses we are getting from the industry are that there are still tremendous operational and communication problems with the new round of 314(a) demands. We urge this subcommittee to seek a status report from FinCEN and law enforcement on how the new system is working. We should point out, however, that the Treasury Department and the regulators just this morning met with several of us from the industry to try to assess our concerns, and they are committed to improving the system. We appreciate the efforts from Treasury, the regulators, and FinCEN, but we must have law enforcement cooperation for that system to be improved.

Finally, similar to PATRIOT Act interpretive issues, there remains an ongoing need for regulatory agencies, law enforcement, and FinCEN to assist Suspicious Activity Report filers with issues as they arise. This need is particularly obvious in the area of terrorist financing. This crime is difficult to discern as it often appears as normal transactions. We have learned from many government experts and our experts today on this panel that the financing of terrorist activities often can occur in fairly low dollar amounts with basic financial products. Guidance is extremely necessary. The only real guidance we have received to date comes from FinCEN's SAR activity review, but we need more.

Madam Chair, the ABA has been in the forefront of industry efforts to develop a strong public-private partnership in the areas of anti-money laundering and now terrorist financing detection. We continue to support the policy goals expressed by Congress, but there needs to be a workable and efficient process. We encourage Congress to stay involved in this important oversight effort. Thank you.

Mrs. KELLY. Thank you very much, Mr. Byrne.

[The prepared statement of John Byrne can be found on page 62 in the appendix.]

Mrs. KELLY. I would like to start the questioning with just a couple of questions.

Mr. Emerson and Mr. Johnson, what can you tell us about the recent arrests of Iraqis in the United States who are aiding terrorist groups financially? I am sorry. The recent arrest of the Iraqis in the United States.

Mr. EMERSON. The arrests that were announced recently show that Iraq and some of its front groups and front organizations were raising money in very sophisticated ways, carefully utilizing the loopholes in the financial reporting requirements for charities as well as the lack of enforcement in the IRS nonprofit division, which is unfortunate, not owing to their deficiency, but rather a lack of resources in the past in terms of enforcing and investigating the nonprofit component—the veracity of the nonprofit components that are being declared by these groups.

So Iraq—I think this is, to be quite honest, the tip of the iceberg. I think we have not seen large numbers of prosecutions because the monies raised in the ways raised by Iraq have been much more circuitous than some of the traditional, if I can use that word, methods used by Hamas and let us say the Palestine Islamic Jihad. I think Iraq has been much more adept at using private citizens in the United States and using third-party conduits, and the monies as we see in the indictment announced out of Syracuse went to bank accounts in Jordan, which were then filtered into Iraq to support the regime in ways that we still have yet to uncover.

Mrs. KELLY. Thank you.

Mr. Johnson.

Mr. JOHNSON. Just add to that—look, Iraq under the U.N. Security Council Resolution 587 back in 1991 was supposed to stop sponsoring terrorism; not just give up weapons of mass destruction, but end support for terrorism. And for the last 12 years they have continued, we know—forget about al-Qaeda. They are directly involved with financing Arab Liberation Front, Palestinian Liberation Front, and carrying out terrorist attacks inside Israel.

Part of the problem we had for years with al-Qaeda is, because al-Qaeda's activities didn't rise to the threshold, it was basically—it was a problem, but not attacked. And the same thing is possible with Iraq where, yeah, they are killing some Israelis, but they are not killing us,so it is not a problem.

I think the issue is you have got to go after the financing. And clearly they have been involved in the United States and raising money that is going back to Iraq. Trying to be able to put all the pieces together to show a direct link why the change to the actual violence is difficult.

And one final point that goes back to a point raised in the other panel. The intelligence information ofttimes is very right and has a lot to offer, but is not shared with law enforcement. And we saw that in the case of Sami al-Arian. I don't know right now what the Intelligence Community has within its hands that is not getting into the hands of law enforcement where they can prosecute, but my friends within both the Intelligence and Law Enforcement Communities say that is still a problem. That wall has to come down further.

Mrs. KELLY. Thank you.

I want to go now to Mr. Byrne and ask you about a question. Mr. Moynihan suggested something regarding the correspondent accounts. I am sure you heard what he said. I would be very interested in what your response is to what his suggestion was.

Mr. BYRNE. Madam Chair, there are a variety of ways in which obviously money laundering can occur, and I have been working on these issues for 20 years, and every time we stop a system, a new system opens up. The PATRIOT Act does in general say that institutions have to have certain due diligence regarding correspondent bank activity and private bank activity, but the bottom line still remains unless there is some protection at the entry of the system, that no matter what we do on our side, we are only—it is only going to be half the battle. So if we are getting checks or we are getting other instruments from another institution, we can do our due diligence with that institution; but John has already pointed out, we are talking millions of transactions sometimes in the same day. So we really need a lot of guidance in this situation from law enforcement, from the government to say what to look for. Otherwise, I think to pull out pouches and cash letters and have us go through all the checks based on the fact that they have come from a certain country or certain institution may not be sufficient.

So while I am not discounting what he has raised, I think it is fairly complicated. It just really shows the need for partnership both with the government and the private sector and with our international counterparts, which we don't always get.

Mrs. KELLY. Do any of you know roughly the volume of cash letter agreements between the biggest banks in the United States? And if you do or if you don't, can you help us in starting some inquiries into this so we can find out?

Mr. MOYNIHAN. I don't have the quantified total value, but when the inquiries are made, it is clearly billions. It is billions of dollars. And it is not just between correspondent accounts—and I tried to get to that in my statement, but I ran out of time—it is also individuals open off-shore companies, they come to the United States and they open accounts, and our banks will, in fact, do their due diligence. A lot of times they do the best that they can on some of these things. It is just then individuals use those accounts as a mechanism for cash letter agreements.

So it is not just correspondent banks. I am in the middle of four criminal cases right now doing this, and it is going on on a massive level. It is really quite large. And why individuals would do this would be to bypass—not all cash letter agreements are money-laundering vehicles, but in the cases that I am involved with, individuals who don't want to be identified in a wire transfer as a ben-

eficiary or an originator might want to write a check, as Mr. Byrne had pointed out, in small dollar amounts. The pooling of those checks will be sent abroad. Someone might collect 2- or 300 of these checks. Those checks are presented to a foreign bank. That foreign bank, because they are U.S. denominator dollars, will send them back here for credit. You can't put a U.S. dollar check into a dinar account, so those checks are sent back here. It is thousands and thousands; it is millions of checks in billions of dollars. It is a big business, and, as Mr. Byrne pointed out, it is very tough to police. And as Mr. Inslee has asked a number of times about which countries should be involved, international cooperation is extremely important on this because it is a tremendous vulnerability in the money-laundering area right now.

Mrs. KELLY. Thank you very much.

My time has run out. Mr. Inslee.

Mr. INSLEE. Thank you.

Thanks for joining us today. I am not sure if you were here when we were talking earlier, but I and many of my constituents have a concern that we have not been sufficiently assertive with other countries in their obligations to assist in this international problem of terrorism. And you may have heard me say this, but the Council on Foreign Relations concluded, quote: Saudi Arabian-based charities have been the most important source of funds for al-Qaeda, and that for years Saudi officials have been turning a blind eye to this problem, close quote.

This morning some of our agency officials told us that some of the money came for the September 11th attack through or by or in some sense associated with the United Arab Emirates. I am sure there are a number of countries that you could express concerns about.

The question I have is—and to my knowledge, the United States has not given any sanction to any of these countries, at least the two that I mentioned, Saudi Arabia or United Arab Emirates, for what appears to be a failure to come to terms with elements in their society that have been consciously, willfully, and, unfortunately, successfully funding these terrorism networks.

Now, just starting with Saudi Arabia and the United Arab Emirates, I would like to know if any of you share that concern. And I ask you generally the question: Have we been sufficiently assertive with these governments? Have we sort of taken a dive, so to speak, because we have other interests that for some reason or another administrations have thought were paramount that would not allow us to really use our economic force and otherwise to compel them to get down to brass tacks and cut off this money?

If you can tell me if any of you share that concern or you think that is misplaced, I would appreciate any of your input.

Mr. EMERSON. Congressman Inslee, I think you raise a very valid point. I think that because Saudi Arabia, frankly, and the other Persian Gulf oil producers have amassed so much money in oil wealth and now petrodollars investments, they have essentially purchased clout. And while I—what I think is going on in the United States Government today is essentially you have the Justice Department and FBI willing to pursue wherever criminal investigations lead, including Saudi Arabia financiers. On the other

hand, the State Department has a role in what indictments are issued and what STGs in terms of terrorist groups are designated.

And I think the State Department together with other members of the government that are more sensitive to foreign policy issues in terms of good diplomatic relations with the Saudis have basically been part of what I call the Saudi lobby, not because they are doing the bidding of the Saudis, but this goes back 15 years. It goes back through the Clinton administration; it goes back even prior to the Clinton administration in terms of the amount of money and influence garnered by the Saudis in terms of insulating themselves from the very effects of an aggressive consistent counterterrorism policy that treats all nations as equally. And Saudi Arabia has been able to evade some of the sanctions, unfortunately, that would have applied if they didn't have the money.

There has been an—I say uneven application of counterterrorist sanctions within the regime itself. There have been some Saudi citizens that have been placed under house arrest officially, like Yassin al-Qadi or Mohammad Jamil Halifal, only for us to find out that they are free to go about and continue their financing. We even find that members of the bin Laden family were not as compartmented out from bin Laden himself, and that there are intercommingling relationships between the Saudi royal family, between the radical Islamic clergy and radical Islamic charities that had a hand in financing, sustaining the al-Qaeda infrastructure.

I know one of the questions you asked before was what about the 9/11 and Iraq, 9/11 and Saudi Arabia. Now, let me just briefly state that there is no evidence that Iraq was involved in 9/11, but there is plenty of evidence that Iraq has been involved in terrorism, number one. Number two, there is no evidence that Saudi Arabia was involved in 9/11 itself, because the transactions came from Dubai or Germany, I think one from Spain. But in terms of sustaining the al-Qaeda infrastructure, Saudi Arabia was absolutely critical, pivotal to the survival and sustenance of al-Qaeda. If it wasn't for Saudi Arabian protection—recently the wife of a major suspect in the United States was secretly spirited back to Saudi Arabia unbeknownst to the FBI and the State Department by the Saudi Embassy in Washington, even though we wanted to investigate her and her husband's ties to 9/11.

Mr. INSLEE. Well, let me tell you at least one Member's of Congress reaction to this. We are sending our men and women to defend some of these countries right now with their lives, and to me it is scandalous that we have not exercised the authority of the United States Government granted by Congress, and it is probably multiple administrations, as you have indicated, to crack down on these networks. And, to me, we have got to get serious about this. And I am going to—I appreciate your answer.

One quick question if I can, Mr. Byrne, And this is switching gears for a minute. I represent a lot of folks who are in the high-tech industry, biochemists, engineers, computer scientists who are of the Muslim faith and who are great Americans, pay their taxes, raise great kids, pillars of the community. You would trust them like anybody else. And they have been, many of them, very afraid because they don't want to get lumped into the terrorists. And they are very afraid now, any time they have any transaction with any

of their family members back in the Mideast, that they are going to end up swept up in this web. And it is a real concern. I have met with quite a number of them that have, I think, sincere concerns about that.

Is there any advice you could give to them or to the government how to have an effective system to cut off this terrorist financing and yet give confidence to law-abiding citizens that do have international transactions that they don't get swept up in this?

Mr. BYRNE. Congressman Inslee, there is a regulation that is due to be final in the next month or so out of the PATRIOT Act, section 326, that is going to require all financial institutions to have account opening, what I call, due diligence. No matter who you are, you will have to provide certain identification information, your name, address, your date of birth, your Social Security number if you have it. And the banks, investment companies, and others will have to try to verify that information. So whether you are Muslim, or whether you are Irish, it is not going to matter. So everybody will be treated the same.

And so my advice would be to individuals that want to open up accounts at financial institutions, recognize that no one is being singled out. That will actually have a dual benefit, I think, of helping those that fear identity theft, because actually we will be making sure that everybody has to do some sort of verification. It will have to be either by passport, by driver's license, or some other document; or, we have to verify the information.

I think that alone at the entry point, provided it is done for everyone no matter who you are, as a new customer will raise the comfort level of everyone to let them know that we are not singling any particular group out. And obviously we rely on the government to tell us what countries are problems, what types of transactions are problems. And we get that information, we put them into our systems.

But the bottom line is good solid citizens should have nothing to fear to simply provide information about who they are when they open up accounts. And I think that will have a dual benefit, both to comply with the law, and also it is going to apply to everyone.

Mr. INSLEE. Thank you.

Mrs. KELLY. Thank you very much, Mr. Byrne.

Mr. Inslee, I just want to make one remark with regard to what you said. I think what you meant was U.S. troops are amassing to disarm Iraq, not they are not out there to try to defend a country. They are defending our country by trying to disarm Iraq. I just wanted to kind of——

Mr. INSLEE. Well, let me, if I may, respond just briefly to that. Listening to the President, my understanding is that he has given multiple reasons for this, which certainly includes the security of the United States, but as I have heard him, he also believes that he is protecting the neighboring countries, as we protected Kuwait and reinstalled the monarchy after the first war. So that is the nature of my statement. I was trying to give credit to the President for that motivation.

Mrs. KELLY. Thank you.

Mr. Oxley.

Mr. OXLEY. Thank you.

Let me first say what a most interesting hearing this has been, I think mostly educational for the Members, and we appreciate all the testimony from this panel as well as the previous one.

Let me address this to Mr. Johnson and to Mr. Emerson now. We had an opportunity to hear you on a number of occasions both here and on television, and we appreciate your expert opinions. And I think it is particularly helpful for my constituents to get a better understanding of this whole issue that on 9/11 was thrust in front of them so fiercely that it was very difficult for people to come to grips with the fact that we were victims of terrorism, and that this feeling of invulnerability that we had was shattered in the aftermath. I think your lucid explanations on television have been very, very helpful in that regard, and I want to thank you for your service.

As you know, the PATRIOT Act was multifaceted. Our committee's participation involved the anti-money laundering section. But just as effective were—in my estimation were the electronic surveillance capabilities, enhanced surveillance capabilities for the FBI and other law enforcement agencies. It is also true that those sections were sunsetted for 4 years, and so the clock is essentially ticking on those provisions as we speak. I have grave concerns that it sends a signal that somehow we think that at the end of 4 years, the war on terrorism will be over, and I wonder if you would—both of you gentlemen would speak to that and perhaps give some advice as to what may very well transpire.

Mr. Emerson.

Mr. EMERSON. Mr. Chairman, I share your concerns. One of the issues, of course, before the House and the Senate today is the issue of adopting legislation that might amend the FISA law to basically prevent the situation that occurred in August of 2001 when Zacarias Moussaoui was the subject of a Federal investigation, and the FBI agents in Minnesota were not able to get FBI headquarter permission to apply a FISA to him.

Now, of course, as you know from the PATRIOT Act, the biggest gainer of the—there have been major generators of intelligence, but what the PATRIOT Act did was to allow a lot of the electronic surveillance to be used in criminal investigations, and that was a major boon and a major step forward in the prosecution of the Islamic Jihad in Florida, because there have been for years collected pursuant to wiretaps that were FISA wiretaps, but could not be used in criminal prosecutions.

If any of this enabling legislation that would allow the use of FISA material to be denied to prosecutors in counterterrorist investigations, this would be a major step backwards in terms of shutting down terrorist groups.

In addition, I agree with you that to the extent that terrorist groups or their supporters understand that the sunset legislation has now got a clock ticking, and now we are 3 years away from certain provisions of the enhanced electronic surveillance from being going into sunset, then they will have a great incentive; just wait out the 3 years, and resume their activities the day after they know that the law has gone out of existence.

Mr. JOHNSON. I would just second what Steve said. I think part of the problem we run into, we keep trying to fragment this, that

we are going—I hear the FBI—well, the FBI is going to focus on terrorism, and DEA is going to deal with drugs. Well, you know, it is a—you know, a news flash. The folks that engage with drug trafficking also engage with terrorism, and to—part of the problem we get is when we keep trying to slice the salami so thin to fit with different law enforcement agencies, that the fragmentation we saw before 9/11 where the picture really was pretty clear if you could have integrated it.

So I think it is important, if nothing else, to try to prevent the sunsetting of those provisions, because more often than not we are not going to be talking about hundreds of thousands of cases. The good news is it is a relatively small but active group of people, and it is just—it is the same thing that police see in normal, everyday crime. The people that commit most of the crimes are criminals that have already been in the system. It is not, you know, Joe average American that wakes up someday that says, I am going to do this. And if there is concern about civil liberties, which I think are justified, there are ways, I think, that you can put together a committee of wise people that can go along with the FISA judge to weigh up on a case by case to ensure that it is not abused.

But just as Steve pointed out, these folks are so agile when they are engaged with this activity to make money, whether it is to process drug proceeds or to engage in terrorism, and that they are much faster than our bureaucracies in adapting to change. So I think instead of giving them a green light saying, hey, wake up, wait it out 3 years, and then you are back in business, I think we ought to take that off the table.

Mr. EMERSON. Let me just point out one interesting fact, that I think—I am not 100 percent sure—that there are only 113 extra approved wiretaps pursuant to the PATRIOT Act since its passage last year. That was it. Even though there are major cries that this is going to invade thousands of Americans and there would be incredible spying on Americans, 113 or whatever the number, 120 is relatively a small number that was approved pursuant to the provisions of the enhanced electronic surveillance of the PATRIOT Act.

Mr. OXLEY. And, in fact, the provisions of acquiring the capability is still in the law, still followed. You still have to jump through all the hoops; you have to get the approval of the court, you have to show probable cause, you have to show a reliable source. All of that information has never changed, and I think sometimes that is lost in the debate. And I appreciate you gentlemen bringing that to the attention of the committee.

Let me ask Mr. Byrne, and you may have already commented on this, but you heard the testimony for Mr. Sloan from FinCEN earlier in the first panel particularly regarding section 314 of the act. Are you uncomfortable with that, the provisions that he spoke about and that I asked him about, in terms of the hot tip concept, cooperating with banks? And if not, what suggestions would you give to make that work better?

Mr. BYRNE. We think the section, Mr. Chairman, is a worthy section. I agree with you, it gives you an opportunity for a quick, you know, hot tip, if you will, that these five individuals are being investigated. What we didn't want to see and we saw prior to November was a flurry of requests over several days, hundreds of names.

I think FinCEN is in a tough position, because their role is not really to be the gatekeeper for the information; they simply are a conduit from the different agencies. So it is really up to the FBI and Customs to have a gatekeeping function so that they will not let everything go through the system.

I think that is starting to happen. This morning we met with the regulators in Treasury and hope to meet with law enforcement about that issue. We want it to work. But the first week that it was rolled back out last week, we would see 108 names, 200 aliases. Frequently the names would be simply just the last name or some other variation, which is very difficult to search, especially for small banks that have to rely on outside vendors.

So there is a lot of operational issues that I think we can fix.

The bigger picture on whether or not there will be a gatekeeping function is really, I think, for you folks to make sure that it occurs. That is not our venue, but we would feel more comfortable that it wasn't simply an agent trying to say, well, this is a case I haven't looked at for a while; let us see what we find here. If you use it for priorities, our members are more than willing to search. But we think the volume has gotten a little out of hand the first time. I am confident they will fix this, and that is what we hope to see happen.

Mr. OXLEY. Thank you.

Thank you, Madam Chairwoman.

Mrs. KELLY. Thank you, Mr. Oxley.

Mr. Hinojosa.

Mr. HINOJOSA. Thank you, Madam Chair.

My first question is addressed to Steve Emerson. Experts believe that numerous other charitable organizations, both in the United States and abroad, may be funneling at least a portion of their funds to terrorist groups. In the broadest terms, have the United States and the international community cut off the largest players already, or have you just scratched the surface of more entrenched networks of funds?

Mr. EMERSON. You raise an excellent question. We know what we know, and unfortunately we don't know what we don't know. We know that in the United States we have shut down at least three or four major conduits in the last year and a half. We know worldwide we have shut down probably three or four dozen major conduits. There have been more than 100, 150 actual seizures or freezing of assets or actual designation of terrorist groups or their front organizations.

Now, I think that these constitute the first primary tier of support, but it is the only ones that were manifest to U.S. investigators or to other law enforcement agencies. I think there is a second tier out there of third-party bankholders, of front companies, of actual commercial companies that are holding the assets, of very, very thickly disguised veneers that make it almost impossible to identify the terrorist component within the organizations that exist under the veneer of being very normal, existing as a regular organization or charity, and that is the real problem.

The number of investigators required to make one single case in the United States can number in the hundreds to disentangle the incredible sophisticated labyrinth of financial transactions. And you

apply that number to how many cases could be made, you just don't have that number of investigators.

And so I think that we have seen a major dent, but I think that the Islamic terrorist groups have been able—they have been very pragmatic in readjusting. And I think that once they discover that the air is squeezed in one side—money is fungible, and they find other conduits.

So we are almost fighting the last war, and I think one of the things that I see very aggressively done by the Treasury Department, which I think is very effective, is trying to get a handle on what the future context of terrorist apparatus would be in terms of their financial distributions in the United States and worldwide.

Mr. HINOJOSA. Thank you.

The next question I want to address to John Byrne with American Bankers Association. Earlier I believe that Congressman Gutierrez from Illinois spoke about the undocumented workers in the United States. I don't know how many million we have, but they certainly are here in the United States. And I understand that we have several million who, of course, do not have a bank account. So the Matricula Consular has been discussed in our committee by a lot of the members of this Financial Services Committee, and we think that there will be a response by the Treasury on this section 326 of the PATRIOT Act.

My question to you is what is the opinion of the members of ABA about using them?

Mr. BYRNE. Congressman, the membership is split not necessarily 50/50, but there are banks that accept—gladly accept the matricula card and have seen certainly that value in terms of reaching out to that community, and they have seen extensive increase, obviously, in those that want to bank with our financial institutions. Others have taken a wait and see approach for a couple of reasons. One is that the Treasury, as you know, has told us that it is acceptable to use that card for identification under the soon to be finalized 326 regulations, but it is not required. And then there have been some groups that have been sending out basically threatening letters and faxes to some of our banks in, I think, Nebraska and North Carolina, saying by accepting the matricula card, the banks are violating, of all things, the U.S. Constitution, which obviously isn't correct at all.

We have reported that back to Treasury. We expect that the Treasury will say ultimately that it is up to the institution; that it is an acceptable form of identification for 326 purposes, but there is a risk-based analysis that has to go into effect. So a bank that decides that that card alone isn't enough may ask that particular customer for some evidence of residency, be it a utility bill or apartment lease. What we are going to say in terms of our association is it is really up to the bank. We will tell them how many banks are using it, talk to those banks, and try to understand the successes they have had, for example; but if you want to decide to take a wait and see approach, you can talk to other institutions.

So we are kind of in the middle on this because we don't have clear guidance yet, but we certainly have a number of banks who have found it very successful, and we certainly think that we would put other banks in touch with those institutions, but we obviously

need some guidance from the Federal Government, because we could say clearly one thing or the other. But at this point you will find a number of banks that are willing to accept the card as a primary form of identification.

Mr. HINOJOSA. If the Treasury rules in the way that you anticipate, are the banks prepared with Spanish-language forms that would be easy for those individuals to be able to use it for opening bank accounts and encouraging them? And do you have individuals in the banks who can speak Spanish so that it would make it easier to communicate?

Mr. BYRNE. That is a very valid question. It is a bank-by-bank answer. I don't know the answer to that. I know, for example, Wells Fargo and Bank of America certainly have those capabilities and have those individuals. I can't tell you all the banks that accept the card have set up those systems, but certainly that makes a lot of sense, obviously, and we would be happy to find out from the banks that are accepting the card what their systems are. But certainly that is a valid point, but we really would have no way of knowing that without polling all of our members.

Mr. HINOJOSA. Thank you. Appreciate your answer.

And thank you, Madam Chair.

Mrs. KELLY. Thank you.

Mr. Garrett.

Mr. GARRETT. Thank you.

I want to follow up on the question that you were just—the line that you were just raising, but before I do that, one quick question.

Can you speak for a moment on the differences that banks would have with regard to reporting requirements for terrorist funding—financing, which we have been hearing about, versus, I guess, old-fashioned traditional money laundering?

Mr. BYRNE. Congressman, we have a 20-year history of money laundering examples, and certainly there are companies that provide software and systems to detect what is ostensibly monies derived from a criminal activity and in an attempt to disguise the source of the funds by putting it into an institution. That is what money laundering generally is.

Terrorist financing is taking monies and getting it to criminals. Very difficult to determine. The FBI has briefed us that the 9/11 hijackers did what they did for less than $300,000 over 26 different accounts and 2- or $3,000 checking accounts.

We need a lot of help in that area, And, as I said in my testimony, to date FinCEN's SAR activity review that gives us examples of terrorist financing is really the only concrete examples we have seen thus far. Operation Green Quest has offered some examples regarding charities, and certainly these gentlemen have given us additional information, but it really is difficult without government help to set up a system to detect the financing of terrorism. We really have to rely on our partners in the government, unlike money laundering where we can set up systems and maybe find that ourselves.

Mr. GARRETT. I see. Thank you.

What I have seen here today, and what we have known before on the graphs that you have shown show the sophistication that goes into the entire money-laundering process, or, I should say, ter-

rorist-financing process, and that it is not just your common criminal that is engaged in these activities, so to speak. So could any of you speak to the issue of how difficult is it now for them to obtain the needed documentation to either travel outside of this country into the foreign countries and back again? Or, more importantly, maybe going along this line, how difficult is it to get the documentation that they need to do to get the jobs here to do either legal or illegal activities?

Mr. JOHNSON. Well, let me give you one first-hand experience with an individual. He is a Lebanese Muslim out of—living in Panama, runs one of the largest businesses there. He is not directly involved with terrorism, but people that he knows are. And I was dealing with him because he was involved with making and selling a counterfeit product that was knocking off a U.S. manufacturer's product. I threatened him in his office with the possibility that he could lose his U.S. visa because he had a visa to travel. He laughed at me, opened his drawer. He pulled out—he had a Canadian passport, he had a Dutch passport, he had an English passport. He was fine. You know, he didn't need a visa.

And the point is that the individuals that are going to get involved with these financing schemes, whether you are trying to take dirty money and clean it up or take money that comes from legal sources and move it into criminal channels for either, you know, conventional criminality or terrorist activity, they are—they come out, if you will, out of a merchant background. They are very creative and very entrepreneurial, and they know how to game the system.

Mr. GARRETT. If I may interrupt there. The comment before Mr. Byrne was we need to have fairness as far as within the banking community as far as requiring people coming in to ask everyone for their identification. And we shouldn't feel put upon that they are going to be asking me or my wife now for some sort of identification, even though I have lived in the town for 20 years, and I have been working with this banker in Rotary for the last 20 years, and he knows who I am.

Mr. JOHNSON. Sure.

Mr. GARRETT. So isn't there a sense, though, of a degree of let us have a little common sense as far as who we should be asking this documentation from if we know that these people can get it?

Mr. JOHNSON. In our experience—and we have been—made money laundering cases that have led to seizures right now and close to $180 million over the last 4 years. We say that the ideal world would be a world in which you had the requirements that Panama has to open a bank account in Panama with the enforcement that you have in the United States, because, very candidly, the requirements for opening accounts in the United States are not near what they are in Panama. And we see this—we have seen this over and over again with checks.

You know, Colombian drug lords would offer people vacations to come up to the United States. They had to open five different accounts. We had people that open up—you know, they would use different names, and they would take those starter checks back, and that was funding the black market peso exchange, some of which funds have been used for terrorism.

So I think there is an important role for making sure that the people that go in and open an account, that you can verify that they do live where they live and have a business where they live. We are right now involved with a case where an individual submitted seven checks; it was worth $800,000, two different individuals. They are up in the New York City area. None—and they are ostensibly business checks. None of the business names check out with the addresses, and this is a major U.S. bank.

Mr. GARRETT. But if on the one hand you are telling me that these individuals in this trade are able to open up a drawer and pull out all the documentation they need, then it is the legitimate citizen who is put upon to say that I have to go out and prove myself in a case. And now we are hearing that the Treasury may be even considering using consular cards, which is basically documentation from—which we have absolutely no control whatsoever as to who is getting those. And my understanding is that basically you are talking about illegals who are using consular cards in the primary sense.

Mr. JOHNSON. But still, the individual using those passports, it is still—they are legitimate legal documents. And the point is do the compliance to verify that the name on the document fits with an address and a place, because a lot of times what we are seeing are names and addresses that don't fit with the place, and that should be a tip to get someone alerted to say we need to look at that.

Mrs. KELLY. Mr. Johnson, I just want to ask a follow-up to that. Would biometrics help?

Mr. JOHNSON. Yeah. I mean, it is just going to confirm that the person—at last when you make up the ID, that the person whose fingerprints or iris is put on the card with the photograph is, in fact, the person that you are looking at. So, yeah, that would help.

Mrs. KELLY. Thank you.

Mr. Matheson.

Mr. LYNCH. I am Mr. Lynch.

Mrs. KELLY. Mr. Lynch, I apologize.

Mr. LYNCH. It is okay, Madam Chair; I am new.

First of all, I want to thank the members of the panel for helping the committee with its work and the Congress and its work, and also helping our Nation deal with our antiterrorist financing efforts.

I have two questions. And I understand your efforts, and I am actually reassured by your successes, but I am also very concerned about the scope of the problem that you have described today. And my question is in two parts.

One, is there a framework that exists now—and I have heard Mr. Byrne mention section 226 of the PATRIOT Act, the amendment that is being suggested or offered. Is there a framework that we can use in the first instance to detect some of the money laundering and terrorist activity that is going on in these financial institutions at the front end? And are there mechanisms where, as Mr. Johnson described, there are some thickly veiled institutions or businesses that might have some level of legitimate business there, but they are actually funding money to terrorists? Is there a framework that we can use to adopt to address that situation as well?

And the second part of my question is we have been talking about the operation of U.S. banks basically today. What has been your experience? And you have all had extensive experiences with these global investigations. What has been your experience in dealing with the EU, the European banks and Asian banks? Are they coming forward with a legitimate and genuine effort to deal with a lot of this illegal and terrorist-related financing?

Mr. JOHNSON. Let me start with your last question and then work backwards.

I think the need for international cooperation is critical, and one way in the door for that—because of the United States and the role of the U.S. dollar in the international economy, we do have some definite leverage there, and one leverage, I think, is through correspondent banking relationships, because ultimately when people are wanting to move money, whether it is with the cash letters that John described earlier or with wire transfers, you are ultimately trying to get dollars, and those dollars go through our system at some point.

I think it is important then to work with the banking industry, but to raise the level of compliance requirements to ensure that those banks or those countries which want to play out on the margins than pay a penalty. There was an article about the Iraqi bank, the Rafidian, and you can see in that article as they describe that there are different branches in Cairo and Amman. Depending on who you call and what you say you want to do, you get a different answer. And ultimately at the end of the day, if you want to send money to Iraq or move funds which shouldn't be moved, you can.

So I think the leverage should come from the correspondent banking relationship.

Also within that, it is imperative that each bank do good compliance internally. We saw in the Bank of New York a Russian money laundering case that we worked on as well, that the problem was there, they didn't follow their own internal policies; that the internal policies for monitoring and compliance were not complied with.

At the end of the day, we don't want to interfere with normal economic activity, but what we can find is you can usually tell what is a normal economic activity and what is abnormal. If you are a manufacturer of farming equipment in Illinois, as an example, and you are selling a tractor into Colombia—and this is a real case—and you are getting paid out of a checking account in Wisconsin? That is no knock on Wisconsin. But if you are buying a tractor in Colombia, it ought to be on a draft or a wire transfer out of Colombia, not on a U.S. bank account in Wisconsin. That is where the warning signs should go up.

Mr. LYNCH. Thank you.

What about the second part of the question, which is the Europeans, Asians?

Mr. JOHNSON. You know, that is where I get to, their—you know, it is uneven. When you look at like HBSC banks——

Mr. LYNCH. Are you being generous when you say it is uneven?

Mr. JOHNSON. Yes.

Mr. LYNCH. Okay.

Thank you.

Mrs. KELLY. Thank you very much. There are some Members, I am sure, who have additional questions for this panel, and they may wish to submit those in writing. So, without objection, the hearing record will remain open for 30 days for Members to submit written questions to the witnesses and to put the responses in the record.

Mrs. KELLY. The second panel is excused with the committee's great appreciation for your long time here.

I want to briefly thank all the Members, and especially our staff, for their assistance in making this hearing possible. This hearing is hereby adjourned.

[Whereupon, at 4:54 p.m., the subcommittee was adjourned.]

A P P E N D I X

March 11, 2003

Statement of Chairwoman Sue Kelly

Subcommittee on Oversight and Investigations
March 11, 2003

In 1993, when terrorists set off a bomb in the garage of the World Trade Center with the intention of killing thousands of innocent people and disrupting the international financial system, Americans saw for the first time the planning and organizational capabilities of the worldwide Islamic terrorist network.

Since then, and throughout the 1990s, terrorist forces continued their agenda of senseless killing by bombing the U.S. Marines' Khobar Towers barracks in Saudi Arabia, U.S. embassies in two African countries, and the U.S.S. Cole, resulting in hundreds of deaths.

Sadly, policymakers at that time underestimated the enemy's strength, skill, and fervor and failed to treat these events as interconnected parts of a war for which the enemy had been preparing since the mid- to late-1980s.

And then, on September 11, 2001, the enemy's attacks had horrifying results with the loss of close to 3000 Americans with the attacks on New York and Washington.

September 11th also exposed the vulnerabilities of our nation's financial system and how our free and open American way of life is used by terrorists to further their war against America.

None of these attacks would have been possible without money. And we now are just learning the extent of how and where terrorists get the money they need to attack our country.

The terrorists have developed a powerful fund-raising machine right here in America, cynically using charities and religious institutions to murderous effect.

The terrorists' efforts have yielded an immoral harvest of blood money, aimed not at helping the needy, but used instead to fuel deadly violence against Americans.

Although we are making progress in the war against terrorist financing here and throughout the world, the enemy is smart, resourceful, numerous, and changes tactics frequently.

When there is a weakness in our system, terrorists will find it and exploit it.

One day they use phony charities, the next, businesses as fronts for smuggling bulk cash, another day, coupon fraud.

Efforts since September 11, including the passage and enforcement of the USA Patriot Act, have resulted in numerous arrests in this area.

From New York to Michigan to Florida to Texas, federal authorities have disrupted this network, slowing the flow of money to America's enemies.

I am sure I speak on behalf of all Members of the Committee when I congratulate the law enforcement team represented on our first panel for their role in the March 1st capture of Khalid Shaikh Mohammed, the financial mastermind of al-Qaeda and planner of the September 11 attacks.

It is my hope that this significant development will allow law enforcement to piece together a money trail to help us tighten the noose on Osama Bin Laden and break-up the al-Qaeda network.

Our principal focus today will be the activities of various groups and charities in the U.S. which have been raising money on behalf of terrorist groups such as al-Qaeda, the Palestinian Islamic Jihad, Hamas, Hezbollah, and other members of the global terrorist network.

The charities have warm, caring names such as "Benevolence Foundation," "the Holy Land Foundation," and the "Global Relief Foundation," but their intentions are anything but benevolent.

Federal agents and prosecutors continue to ferret out illegal transfers of funds from these groups allegedly aimed to support terrorist activities.

Just last week it was discovered that a Brooklyn mosque may have helped funnel millions of dollars to al-Qaeda. The leader of the effort, a Yemeni cleric, boasted that he had personally delivered $20 million to Osama bin Laden.

On February 28, five men were sentenced for providing material support to Hezbollah through a cigarette smuggling scheme.

On February 26, five men were indicted in New York and Idaho for conspiring to illegally raise and send $2.7 million to Iraq through the "Help the Needy" charity.

Also on February 26, 16 men were arrested for fraudulently redeeming more than $4.5 million in coupons in five states. The funds were laundered through a Yonkers, N.Y. check-cashing business and sent to the West Bank.

On February 20, four members of the Palestinian Islamic Jihad terrorist group were indicted, and four others arrested, on a total of 50 counts, including fraudulently raising money and illegal material support and wire transfers.

Among the four arrested was Sami Al-Arian, a professor at the University of South Florida. The indictment alleges that the defendants used U.S. locations as the North American base of the Islamic Jihad.

On December 18, a senior member of Hamas, his wife, and five brothers working at a Texas computer company were indicted for money laundering.

One of the brothers, Ghassan Elassi, was also vice president of the Holy Land Foundation, which the Treasury Department closed in December 2001 for serving as a Hamas front.

It is clear terrorists have learned to use our wealth and good-will against us.

My fear is, despite the fact that we have made these important arrests, this is only the tip of the iceberg.

And then there is Saddam Hussein.

There is plenty of evidence linking terrorists such as Hamas, Hezbollah and al-Qaeda to Saddam Hussein.

Hamas opened an office in Baghdad in 1999 and Iraq has hosted conferences attended by Palestinian Islamic Jihad.

Published reports cite U.S. intelligence officials as sources for recent reports that Saddam Hussein might subcontract to Hezbollah and Hamas a terrorist strike here in the U.S. or abroad.

And recently before Congress, CIA Director George Tenet testified that Hezbollah has been casing and surveilling American facilities.

According to Secretary of State Colin Powell, a senior al-Qaeda associate, Abu Musab al-Zarqawi, moved his poison and explosives operation from Afghanistan to northeastern Iraq after U.S. forces liberated Afghanistan.

This information is disturbing on its own. It is even more disturbing to know that millions of dollars may have been raised through a mosque in Brooklyn and schemes in Detroit or North Carolina or elsewhere in the United States to advance these efforts to help al-Qaeda, Hamas and others wage war against America.

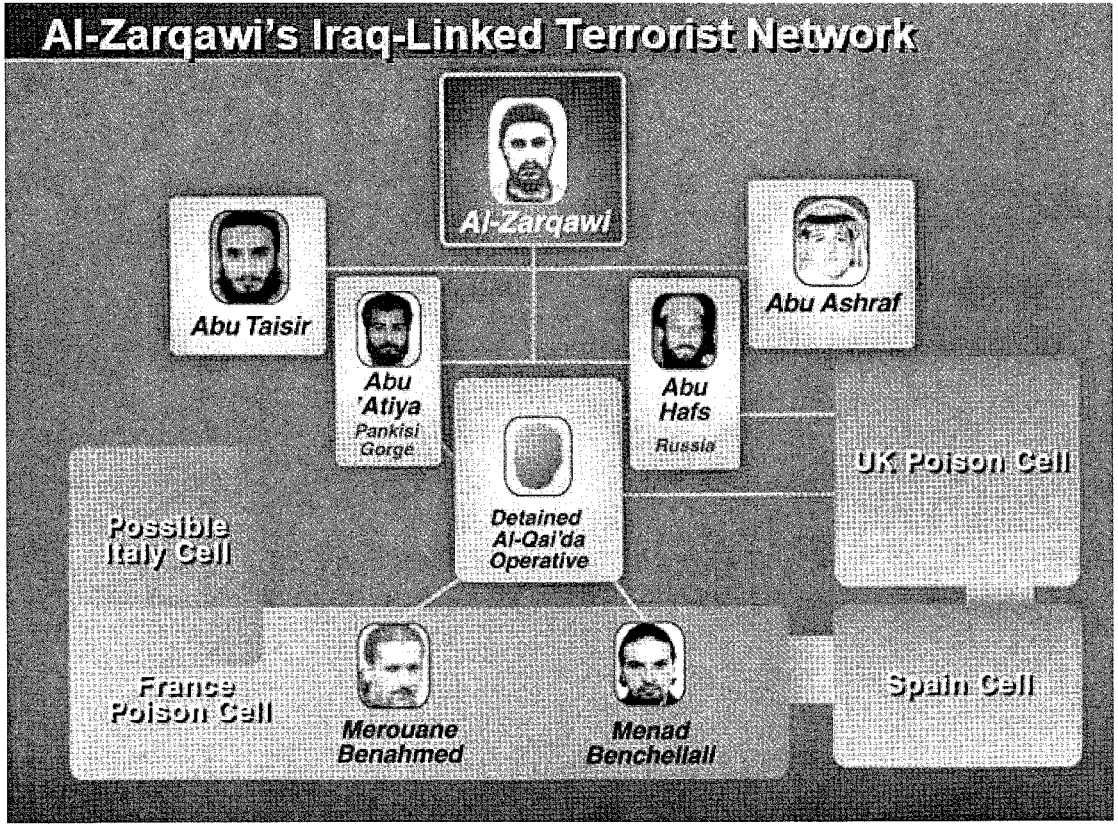
At today's hearing, we will review the charities and schemes that have allegedly been used by groups to aid terrorists and the countermeasures that law enforcement has employed to smoke out and prosecute the enemy's allies.

The experts on our second panel work with law enforcement and can further tie together for us the domestic groups, the schemes, and the terrorists they help.

Both panels, I hope, will provide some important lessons from these cases for the financial community, and for this committee, as we consider potential amendments to the USA Patriot Act.

If another attack on American occurs, it will have been funded, at least in part, right here on American shores. We need to know how the enemy funds its operations here and how to stop it, and that is the focus of today's hearing.

Two Slides Depicting Iraq's Links to al-Qaeda Leader Abu Musab al-Zarqawi, Presented by Secretary Colin Powell to the United Nations, February 5, 2003


Al-Zarqawi's Iraq-Linked Terrorist Network
Al-Zarqawi
Abu Taisir
Abu 'Atiya
Pankisi Gorge
Abu Hafs
Russia
Abu Ashraf
Detained Al-Qai'da Operative
Possible Italy Cell
UK Poison Cell
France Poison Cell
Merouane Benahmed
Menad Benchellali
Spain Cell

Terrorist Poison and Explosives Factory, Khurmal

OPENING STATEMENT OF
LUIS V. GUTIERREZ
RANKING DEMOCRAT
SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS
"PROGRESS SINCE 9/11: THE EFFECTIVENESS OF U.S. ANTI-TERRORIST FINANCING EFFORTS"
MARCH 11, 2003

Good afternoon, Chairwoman Kelly, and thank you for holding this timely hearing.

I will be brief since the purpose of this hearing is to get an update from the agencies and experts that have been instrumental in the fight against international money laundering and terrorist financing.

Our fight against terrorist financing is a broad-based effort extending well beyond the al-Qaeda network. In today's global marketplace, it means nothing to build a concerted effort between financial institutions and law enforcement agencies at home without instituting similar actions abroad.

Enhancing international cooperation between local agencies and countries around the world is essential to eliminating terrorist networks and to winning the fight against international money laundering practices.

The USA PATRIOT Act was a critical step in giving our enforcement personnel the necessary anti-money laundering provisions to fight terrorists by blocking the schemes used to finance their horrific crimes.

Attorney General Ashcroft recently said that $124 million in financial assets belonging to terrorist groups, including al-Qaeda, have been frozen since the September 11th attacks.

Although we have made progress, we have much work ahead of us.

We do not know whether the frozen assets represent most or just a small percentage of the pool of potential money that could be used to finance terrorism around the globe.

In order to truly stop terrorism, we need to strengthen the cooperation, coordination and the sharing of information between agencies and with the public and private sector.

Encouraging information sharing and collaboration among local, state, federal and international law

enforcement also is critical to eliminating al-Qaeda and other terrorist cells.

And we need to ensure that our priorities concentrate equally on both prevention and response. State and local governments need to have the capacity and resources to respond to the threat of terrorism, especially since they serve as our nation's first responders.

Proper training, technical assistance and support is critical to achieving this goal.

Before I conclude, I would like to urge Treasury to expeditiously complete the provisions that have yet to be promulgated, particularly those dealing with verification of identification.

A recent General Accounting Office study requested by Chairwoman Kelly and myself regarding the use of Treasury's Electronic Funds Transfer and Electronic Transfer Account programs found that about 11 million federal benefit recipients, about half of those who receive checks, were unbanked.

More shocking, the study found that approximately 55.8 million U.S. adults are currently unbanked. That is 28 percent of all U.S. adults.

GAO also found that the primary obstacle to using electronic funds transfers was that many federal check recipients did not have bank accounts.

We all know that without access to banking services, individuals are forced to turn to payday lenders and check cashing vendors who very often charge exorbitant fees for their services, with interest rates often reaching 500 percent.

The inability to enter the banking system results in a higher cost of borrowing and a lack of access to home mortgages and other basic services. The individuals forced to use these institutions are also more susceptible to crime and theft.

The proposed rule requires a financial institution to contain statutorily prescribed procedures. It describes them and details certain minimum elements that each must contain.

The procedures, as proposed by Treasury, require important elements that will further safeguard our banking system from terrorist financing and, at the same time, will not hinder the ability of unbanked individuals to access our financial institutions.

I look forward to the testimonies that will be presented today. Thank you Madame Chair.

Testimony of

John J. Byrne

On Behalf of the

AMERICAN BANKERS ASSOCIATION

Before the

House Financial Services Subcommittee on Oversight and Investigations

On

Progress Since 9/11: The Effectiveness of U.S. Anti-Terrorist Financing Efforts

March 11, 2003

Madam Chairman and members of the Subcommittee, I am John Byrne, Senior Counsel and Compliance Manager with the American Bankers Association. The American Bankers Association appreciates this opportunity to discuss the myriad of challenges faced by the financial industry in addressing the scourge of terrorist financing.

The ABA brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership – which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest banking trade association in the country. For further information regarding the ABA, please consult the ABA on the Internet at http://www.aba.com.

Seventeen months after the enactment of the USA Patriot Act, the effect of these new laws and regulations on terrorist financing and money laundering is still being assessed. ABA was particularly pleased to learn of the Treasury Department's commitment to continue to provide oversight in this area after the regulations have been finalized. More importantly, then Acting Secretary Kenneth Dam told Congress that:

Time and experience will allow reasoned reflection on the decisions we have made, and it is incumbent upon Treasury to make adjustments to these rules when it is necessary to ensure that they continue to achieve our goals.

The ABA has also been involved in "reasoned reflection" on the plethora of obligations facing our industry since October 26, 2001. As with any omnibus piece of legislation, time and experience produce evidence of the need for modifications to the law as well as recommendations of how to more efficiently implement statutory mandates. ABA has provided comments to the Treasury in this area and our views have been well received. We are also pleased that the Treasury and the regulators are addressing several of our previous recommendations.

Our Association has offered the following as needed areas of improvement to USA Patriot Act oversight.

ABA recommends:

- Creating an office for USA PATRIOT Act oversight;
- Immediate development of a Staff Commentary for Patriot Act and Bank Secrecy Act interpretation;
- Review of the 314 Demands for Record Searches
- Formal commitment from **all** functional regulators for uniform and consistent Patriot Act exam procedures;
- Coordination between the Treasury's Office of Foreign Assets Control (OFAC) and the financial institution regulators to improve advice to the regulated community; and

- Improved guidance and communication on all SAR related issues, particularly in the area of terrorist financing.

Office of USA Patriot Act Oversight

One of the major aspects of the USA Patriot Act is the broad-based coverage of the law on the vast array of financial services providers. While members of the American Bankers Association have long experienced the challenges accompanying compliance obligations with the Bank Secrecy Act, the federal money laundering laws and now the USA Patriot Act, the non-bank entities now subjected to these obligations are experiencing the same confusion we have faced. To assist this diverse group, we have advocated that the Treasury Department create a formal mechanism for responding to questions concerning interpretation of these obligations. ABA has recommended that there be an office within the Treasury to communicate guidance, interpretations and FAQs regarding all Patriot Act questions.

Representatives from all of the regulatory agencies could staff this office along with Treasury personnel. The key ingredient to success is a central location for industry questions to ensure consistency and assist in compliance. We would point out, Madam Chairman, that there have been several recent organizational changes that are moving toward this important direction.

For example, the announcement last week by the Treasury to create an "Executive Office for Terrorist Financing and Financial Crimes" is a welcome addition to the government's efforts in this area. According to the announcement, this office will "participate in the department's development and implementation of U.S. government policies and regulations in support of the PATRIOT Act, including outreach to the private sector…" ABA supports the creation of this office and the fact that it will provide "policy guidance" to both FinCEN and OFAC.

In addition, it should be noted that the Financial Crimes Enforcement Network (FinCEN) created a "hotline" immediately after 9/11 for the public to use when reporting potential "terrorist financing," so we know that the government is capable of putting such a process in place.[1]

Patriot Act and Bank Secrecy Act Staff Commentary

The American Bankers Association has long bemoaned the fact that the Treasury Department has never fulfilled the 1994 statutory mandate that it publish an annual staff commentary on the Bank Secrecy Act regulations (Section 5329). This indifference to congressional direction has contributed to industry confusion, examination conflicts and inconsistent interpretation of Bank Secrecy Act obligations.

There is broad support for a method of providing Patriot Act interpretations to the financial sector. As stated above, ABA believes that a centralized to industry questions approach is necessary and, for

[1] According to FinCEN's website at the time, "This HOTLINE is intended to provide to law enforcement and other authorized recipients of SAR information the essence of the suspicious activity in an expedited fashion." If the government can work quickly to develop a system for when it wants information from the public, it should be able to address the need for industry assistance in the same prompt manner.

BSA issues, long overdue. Unfortunately, the recent attempts by FinCEN to publish guidance on BSA issues, while laudable, has lacked agency input and is not communicated effectively.[2] Given the Treasury's stated commitment to remaining engaged in Patriot Act oversight, we urge that now is the time to announce and implement a formal annual staff commentary.

Section 314 Demands for Record Searches

There is no better example of a positive public policy goal not being met than the implementation of section 314 of USA Patriot Act. While we recognize that government is faced with tremendous challenges to track terrorist funds, section 314 warrants a thorough review to ensure consistency with both congressional intent and the need to establish a workable system.

According to the Senate Report addressing the relevant part of this section:

Section 314 requires the Secretary of the Treasury to issue regulations, within 120 days of the date of enactment, to encourage cooperation among financial institutions, financial regulators and law enforcement officials, and to permit the sharing of information by law enforcement and regulatory authorities with such institutions regarding persons reasonably suspected, based on credible evidence, of engaging in terrorist acts or money laundering activities. Section 314 also allows (with notice to the Secretary of the Treasury) the sharing of information among banks involving possible terrorist or money laundering activity, and requires the Secretary of the Treasury to publish, at least semiannually, a report containing a detailed analysis of patterns of suspicious activity and other appropriate investigative insights derived from suspicious activity reports and law enforcement investigations.[3]

Then Ranking Minority Member of the Senate Banking Committee. Phil Gramm (R-TX) pointed out, on October 16, 2001 that Section 314:

"Add[s] a requirement that the government help banks focus on up-to-date money-laundering threats by sharing with banks specific money-laundering concerns, enabling institutions to know what to be on the lookout for. This is expected to result in better enforcement and cooperation, *while reducing the burden of unnecessary paper chases* (emphasis added). The amendment would also permit financial institutions to share with each other relevant information about suspected money-laundering activities."

Congress has obviously directed the Treasury to craft a rule that will facilitate information sharing for the purpose of combating terrorism and money laundering. The final rule, for the reasons expressed below, does not meet that directive.

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[2] A recent example bears this out. On November 2, 2002 the Financial Crimes Enforcement Network posted an interpretation to 103.29 of the Bank Secrecy Act. The interpretation, that institutions are required to comply with certain record keeping provisions regarding monetary instrument purchases, is contrary to a September 2000 statement from the Bank Secrecy Act examination procedures of the Office of the Comptroller of the Currency that "formal records as required by 31 CFR 103.29 are not necessary" under the same circumstances. Neither the OCC nor any of the examining agencies were consulted on this change in interpretation.

[3] The SAR Activity Review, prepared by a subcommittee of the BSA Advisory Group, which ABA co-chairs, will now be published quarterly, thus complying with 314 (d).

According to the preamble, 314(a) "seeks to create a communication network linking federal law enforcement with the financial industry so that vital information relating to suspected terrorist and money launderers can be exchanged quickly and without compromising pending investigations." As FinCEN points out, this part of the rule is an attempt to formalize the current "control list" procedures.

ABA believes that this part of the rule goes far beyond those procedures and is not consistent with congressional intent that information be "shared" with the financial institutions. In addition, the proposed rule does not "encourage" information sharing with the government; it is, instead, a new regulatory obligation. We have now witnessed the resumption of the record "requests" under section 314 and it is clear that the system still needs modification.

In November 2002, FinCEN and the primary federal regulators issued a Joint Agency Notice to put into place a brief moratorium on the section 314(a) information requests and compliance with existing requests. This moratorium was a direct result of the confusion faced by the recipients of the requests. The information requests went to employees no longer with the bank, came in bunches several times a day, and had a seven-day response deadline. In addition, many of our members complained that there was no apparent connection to terrorism or money laundering in the demands. Instead, the "requests" seemed to be a dumping ground for law enforcement cold cases.

Since that time, the regulators, law enforcement and Treasury made adjustments and according to FinCEN, the process was revised to "address a number of logistical issues and to develop additional guidance on the information request process."

The announced changes include the following:

- 314(a) requests from FinCEN will be batched and issued every two weeks, unless otherwise indicated in the request.
- After receiving a 314(a) request, financial institutions will have two weeks, rather than one week, to complete their searches and respond with any matches.
- Searches will be limited to specific records and, unless otherwise noted, will be a one-time search.
- If a financial institution identifies a match for a named subject, the institution need only respond to FinCEN that it has a match and provide point-of-contact information for the requesting law enforcement agency to follow-up directly with the institution.

While these changes appear helpful, the initial responses we are getting from the industry is that there are still tremendous operational and communication problems with the new round of 314(a) demands. We urge this subcommittee to seek a status report from FinCEN on how the new system is working. We should point out, however, that the Treasury Department has committed to meet with the industry and try to improve the system.

Uniform and Consistent Patriot Act/BSA/AML Examination Procedures

As we approach the release of final rules for the remainder of the Patriot Act regulations it is imperative that all affected industries be treated equitably. To accomplish this important goal, there needs to be agreement on how the financial services industry will be examined for compliance under these rules. Too often, institutions of the same approximate size, in the same geographic area and offering the same financial products are treated differently for compliance purposes. This should not continue.

ABA appreciates the fact that the OCC and the FRB have announced a joint effort to conform their new examination procedures but we strongly believe that all functional regulators need to be part of this project. We urge the Congress to call for the regulatory agencies to report on their efforts in this area and ensure that this process is truly a joint endeavor.

OFAC and the Regulated Community

There has been a long-standing debate in the financial community on how to handle the myriad of transactions received every day and not violate the laws administered by the Treasury's Office of Foreign Assets Control (OFAC). While the financial industry appreciates the recent attempts by OFAC to address a variety of issues through the posting of "FAQs" (frequently asked questions) on their website, the fact remains that confusion still exists.

For example, the answer to one of the most common questions "Does OFAC itself require that banks set up a certain type of compliance program?" gives the industry little solace. The answer, according to OFAC, is that OFAC is not a bank regulator and the institution should check with their regulators "regarding the suitability of specific programs to their unique situations."

Madam Chairman, ABA and our members need improved direction from both OFAC and the bank regulators on what is considered an acceptable OFAC compliance program as well as a reasoned analysis on the scope of these requirements. Our Association urges the Treasury to coordinate a meeting to address these issues as soon as possible.

SAR Guidance

Similar to Patriot Act interpretative questions, there remains an ongoing need for the regulatory agencies, law enforcement and FinCEN to assist Suspicious Activity Report (SAR) filers with issues as they arise. This need is particularly obvious in the area of "terrorist financing." This crime is difficult to discern as it often appears as a normal transaction. We have learned from many government experts that the financing of terrorist activities often can occur in fairly low dollar amounts and with basic financial products (e.g. retail checking accounts). Guidance in this area is extremely necessary for effective and accurate industry reporting.

An excellent example of providing guidance to SAR filers can be found with the relatively new issue of computer intrusions. The Federal Bureau of Investigation (FBI) advocated adding the crime of "computer intrusion" to the SAR and that change came with a description of the crime on the instructions to the SAR form. In addition, the instructions also described the types of activities that are not indicative of computer intrusions. (For example, "computer intrusion" does not mean, "attempted intrusions of websites.")

Another useful example from the SAR instructions is the description of what may constitute potential money laundering or violations of the Bank Secrecy Act. Similar examples and instructions to assist SAR filers with clear direction as to what may constitute SAR reportable activity are needed for activities such as "terrorist financing."

As our Association pointed out in a recent comment letter on the "suspicious activity report," the interagency-authored publication, the "SAR Activity Review," often includes a number of examples of activities that represent reported financial crimes. This information is useful for training purposes. As the private sector co-chair of the SAR Activity Review, I can assure you the ABA supports the efforts of FinCEN and the participating agencies in crafting a publication that provides necessary feedback to the SAR filing community. The SAR Activity Review has provided examples of the characteristics of suspicious activity such as identity theft. The 2003 issue released last week covers a number of examples of terrorist financing activities. There should be more efficient coordination between the information needed to properly complete a SAR and the SAR Activity Review.

While ABA would prefer that examples of all financial crimes be included with the SAR instructions, we urge that, at a minimum, the SAR instructions refer to the SAR Activity Review for further information on the summary characterization of most of the suspicious activity categories.

Conclusion

Madam Chairman and members of the subcommittee, the ABA has been in the forefront of the industry efforts to develop a strong public-private partnership in the areas of money laundering and now terrorist financing. We continue to support the policy goals expressed by Congress but want to ensure a workable and efficient process. We encourage Congress to stay involved in this important oversight effort.

Testimony of

Steven Emerson

Before the

House Committee on Financial Services Subcommittee on Oversight and Investigations

"Progress Since 9/11: The Effectiveness of U.S. Anti-Terrorist Financing Efforts"

Terrorism Financing & U.S. Financial Institutions

March 11, 2003

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Steven Emerson is an internationally recognized expert on terrorism and national security, a correspondent, and an author who also serves as the Executive Director of *The Investigative Project*, the nation's largest archival data and intelligence on Islamic and Middle Eastern terrorist groups. He is most recently the author of the national best seller, "American Jihad: The Terrorists Living Among Us" (Free Press). Mr. Emerson is widely recognized as one of the foremost experts in the world on militant Islamic terrorism. He now serves as NBC's terrorism analyst. Since September 11, 2001, Mr. Emerson has appeared frequently on network television and has been quoted or cited hundreds of times in the nation's top newspapers. Mr. Emerson and his institute have also given numerous briefings to Congress, the White House, the Justice Department and other federal agencies.

Mr. Emerson started *The Investigative Project* in late 1995, following the broadcast of his documentary film, "*Jihad in America*," on Public Television. The film exposed video of clandestine operations of militant Islamic terrorist groups on American soil. For the film, Mr. Emerson received numerous awards including the George Polk Award for best television documentary, one of the most prestigious awards in journalism. He also received the top prize from the Investigative Reporters and Editors Organization (IRE) for best investigative report in both print and television for the documentary. The award from the IRE was the fourth such award he had received from that group. The documentary, which was excerpted on *60 Minutes*, is now standard viewing for federal law enforcement and intelligence organizations.

Over the past three years, Mr. Emerson has testified more than 16 times before Congress, and he has briefed the National Security Council at the White House as well.

Mr. Emerson has authored or co-authored five books:

- *American Jihad: The Terrorists Living Among Us* (Free Press, 2002)
- *Terrorist: The Inside Story of the Highest-Ranking Iraqi Terrorist Ever to Defect to the West* (Villard/Random House, 1991)
- *The Fall of Pan Am 103: Inside the Lockerbie Investigation* (Putnam, 1990)
- *Secret Warriors: Inside the Covert Military Operations of the Reagan Era* (Putnam, 1988)
- *The American House of Saud: The Secret Petrodollar Connection* (Franklin Watts, 1985).

Introduction

U.S. Government agencies have made great strides in dismantling the financial networks of terrorist organizations threatening U.S. national security. To date, the Departments of Justice and Treasury have been responsible for more than 70 terrorist financing or material support investigations into terrorism financing, 23 convictions; 36 entities designated as terrorist organizations, and $113 million frozen in financial assets of 62 organizations that support terrorism. This is a very impressive record, given the lack of critical intelligence base on terrorist fundraising that existed prior to 9/11. The recent arrests in Pakistan of 9/11 mastermind Khalid Sheikh Mohammad and financier Mustafa Ahmed Al-Hawsawi are without question major setbacks to the Al-Qaeda infrastructure that will provide greater capabilities in unraveling the financial operations of the Al-Qaeda organization.

Government agencies and law enforcement have displayed tremendous courage and dedication in attacking the enablers of international terrorism. The American public owes a great deal of gratitude to the thousands of government agents who have worked passionately on tracking down terrorist assets around the globe.

Although we have made great strides in understanding and dismantling the fundraising methods of terrorist organizations operating from and targeting the United States, increased vigilance is required as Al-Qaeda, Hamas, Hizballah and Palestinian Islamic Jihad have proven adept and pragmatic in their ability to find new sources of income and new methods of financial transfers. A detailed look into terrorist financing and money laundering schemes reveals that Al-Qaeda and the like have employed, and continue to employ, U.S. financial institutions and resources to fund terrorist operations worldwide.

This testimony will examine the primary routes through which terrorists have raised or laundered monies through the United States. The manner in which terrorists have raised money for their operations has ranged from a variety of sources including, but not limited to, the use of charitable organizations, corporate "front" entities, tax fraud, coupon redemption programs, and cigarette smuggling, as well as deliberately concealing their activities behind the cover of academic, religious and civil rights veneers. A common thread among these methods is the utilization of U.S. financial institutions to support jihad: From raising money for non-existent Iraqi charities, to the funneling of monies to the families of suicide bombers; from the creation of Al-Qaeda charitable fronts in the United States, to the sponsorship of Al-Qaeda fighters and operatives in Bosnia and Western Europe during the war in the former Yugoslavia; from the raising of funds for Hizzbollah through cigarette smuggling, to the establishment of the international leadership of the Palestinian Islamic Jihad at the University of South Florida,

This testimony will probe into the means of fundraising by such organizations as Al-Qaeda, Hamas, Palestinian Islamic Jihad and Hizballah. The significance of this broad sampling of organizations is to shed light on the common element of terrorist financing and identify red flags that should raise suspicions of counterterrorist investigators.

I. Sami Al-Arian & the Palestinian Islamic Jihad

On February 20, 2003, the U.S. Department of Justice indicted Sami Al-Arian and seven co-conspirators for their role in directing the activities of the Palestinian Islamic Jihad from the United States. The indictment provides a rare and detailed look into the inner working of an international terrorist organization operating from the safety and sanctuary of Tampa, Florida.

The Palestinian Islamic Jihad ("PIJ") is a U.S. government-designated foreign terrorist organization, committed to suicide bombings and violent jihad activities. The Palestinian Islamic Jihad is responsible for the murder of over 100 innocent people in Israel, the West Bank and Gaza, including at least two young Americans, Alisa Flatow, age 20, and Shoshana Ben-Yishai, age 16.

Charges in the indictment include:

- Operating a racketeering enterprise that engaged in a number of violent activities including murder, extortion, money laundering, and providing material support to terrorism;
- Conspiring within the United States to kill and maim persons abroad;
- Conspiring to provide material support or resources to Palestinian Islamic Jihad;
- Conspiring to violate emergency economic sanctions and;
- Engaging in various acts of interstate extortion, perjury, obstruction, and immigration fraud. [1]

With the newly gained ability to use FISA wiretaps in criminal investigations, the Department of Justice was able to deliver a 50 count indictment charging the eight defendants with operating a racketeering enterprise from 1984 through 2003 that supported numerous violent terrorist activities associated with the Palestinian Islamic Jihad.

The indictment outlines what the defendants did here in the United States to organize and fund the Palestinian Islamic Jihad, charging the defendants as 'material supporters' of a foreign terrorist organization. Under the leadership of USF Engineering professor Sami Al-Arian, they financed, coordinated and assisted acts of terror.[2]

According to the indictment, the enterprise members would, "secretly establish cells or sections of the PIJ in different countries, and in the United States utilize the structure, facilities and academic environment of [the University of South Florida] to conceal the activities of the PIJ."[3]

In many regards, the indictment of Sami Al-Arian and his cell represents a major step forward in the war on terrorism. After hiding behind the facade of academic, religious and civil rights freedoms for over a decade, Sami Al-Arian was exposed with astounding detail as the leader of an international terrorist organization and a threat to U.S. national security. In addition to using the many constitutional freedoms of this country to back terrorism, Al-Arian manipulated sophisticated U.S. financial resources and institutions in furtherance of his agenda.

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[1] Statement of Attorney General, Indictments, February 20, 2003.
[2] Statement of Attorney General, Indictments, February 20, 2003.
[3] United States of America v. Sami Amin Al-Arian, et al. United States District Court, Middle District of Florida, Tampa Division, February 20, 2003, page 28.

Terror Headquarters: Tampa, Florida

Upon moving to Tampa, Florida, one of Al-Arian's first tasks was founding the Islamic Committee for Palestine, or ICP (also known as the Islamic Concern Project), a self-described "humanitarian" group that served ostensibly as a charity for Palestinians. Its real purpose was to serve as a front group for the Palestine Islamic Jihad. Al-Arian also served as the administrative director for the World and Islam Studies Enterprise (WISE), a "think tank on Islamic thought and politics" that also served as a cover for the Palestine Islamic Jihad. Al-Arian arranged for WISE to be affiliated with the University of South Florida, thus extending another layer of insularity. The affiliation was a full-fledged working relationship, with the USF co-hosting forums, training WISE-sponsored graduate students, and sharing university resources and libraries.

Mr. Al-Arian was also the editor of *Inquiry*, the official ICP magazine which served as an ideological propaganda arm. *Inquiry* routinely ran incendiary attacks on Jews and the United States. In an interview published by *Inquiry* with M. T. Mehdi, a New York-based Muslim leader, the following passage is included: "I said so, in a book of mine in 1960, that the head of the snake is in America and the tail of the snake is in Palestine. The Arabs and Muslims for the last forty years have been fighting the tail of the snake and forgetting the head of the snake, which is America. Of course, it is not impossible to kill the snake by fighting the tail. I pleaded with all the Arab leaders, intellectuals, Kings, Queens, President and Politicians, that the battleground for the liberation of Palestine is in America, even before being in Palestine."

Tape recordings of conferences organized by ICP show that funds were solicited in the United States for the explicit purpose of "sponsoring martyrs." At the ICP-organized Chicago conference held in 1990, one speaker enumerated the "operations"—i.e., terrorist attacks—carried out by Islamic Jihad "martyrs" in Palestine. After graphic descriptions of the attacks, the speaker solicited funds: "We are giving you a list of 16 martyrs. Some of these died in amphibious operations. Some died in assault operations. The families need your assistance. Each martyr needs $1000 dollars. Is there someone here to sponsor ten martyrs?" From the safety of his University position, Al-Arian and colleague, Ramadan Abdullah Shallah, organized the multiple activities of the Islamic Jihad. This included publication and distribution of an Islamic Jihad newsletter called "Islam and Palestine," which sometimes carried Islamic Jihad communiqués in its pages, as well as interviews with Islamic Jihad leaders. Issues, dated from 1989 to 1991, included a mailing address on Cyprus, as well as a post office box in Tampa also used by the ICP and WISE.

ICP's primary goal was serving as the primary support apparatus for the Islamic Jihad in the United States. In rallies where militant leaders from around the world were brought to the United States to deliver fiery sermons and to coordinate terrorist strategy, the ICP organized annual conventions and conferences in various U.S. cities, notably Chicago, St. Louis, and Cleveland. An extensive review of more than 40 hours of recordings from five major conferences between 1988 and 1992 shows that these conferences: 1. Brought into the United States leaders of militant Islamic terrorist groups from all over the world including Egyptian militant Sheik Omar Abdul Rahman (later convicted in the 1993 World Trade Center bombing) and others representing Hizzbollah, Sudanese National Islamic Front, Tunisian En-Nahda, Hamas, and Lebanon's Tawheed; 2. Raised money for Islamic Jihad "charities" and other front organizations connected to Islamic Jihad apparatus and "tax exempt" foundations; and 3.

Presented platforms for overt and covert calls, and plans to commit terrorist acts against Israeli, Egyptian, Tunisian, Algerian, and American targets.

At one ICP fundraising session held in Cleveland in 1991, recorded on tape, Imam Fawaz Damra identified the ICP as the active arm of the Palestine Islamic Jihad in the United States and specifically introduced Al-Arian as head the Islamic Jihad in the United States. Immediately after introducing Al-Arian, Damra told those in attendance to turn the tape off as he warned that the subsequent discussion was too sensitive to be recorded. In that capacity, Al-Arian and his colleagues coordinated the visits of leading militant Islamic leaders as well as maintained active relationships with terrorist leaders and other organizations.

At the Fourth Annual ICP conference, for example, held in 1991, Sheikh Abdel Aziz-Odeh, spiritual head of the Islamic Jihad—and who was indicted last month-- delivered these chilling words, "A struggle of life and death, that we are leading today, with the forces of arrogance, is manifested in Israel, which has been implanted on Palestine....The Jews are not giving up anything...They understand only one language: The language of Jihad, and the language of confrontation, and the language of sacrifice."[62]

As part of their counter-terrorist investigation, federal officials learned that Al-Arian had placed "numerous" phone calls in the early 1990's from his ICP office to the Iranian Interest Section in the United States and to the Sudanese Embassy—both of which countries are on the official State Department list of nations supporting international terrorism.[63] Al-Arian also made a series of calls to Siraj El-din Yousif, a Sudanese diplomatic operative in New York later implicated in and expelled for participating in the second series of attempted bombings in New York following the bombing of the World Trade Center in lower Manhattan.[64]

Sheikh Abdel Aziz-Odeh, like Sheikh Rashid al-Ghannoushi, the Tunisian fundamentalist leader convicted in absentia of attempting to overthrow the government, and Sudanese fundamentalist leader Hassan Turabi, were all brought to the United States by the ICP and WISE to speak at such conferences, raise the fervor of the existing militant community, and raise large sums of cash from U.S based supporters. The ICP, under the guise of being a religious and benevolent office, was actually a fundamentalist underground railroad. Sheikh Odeh, for example, had visited Sami Al-Arian in Tampa several times, shuttling back and forth from his offices in Damascus, Syria, and the United Arab Emirates.

Another speaker at the 1991 Chicago ICP conference, and one of the most remarkable figures in this intricate web, was Ramadan Abdullah Shallah, a co-founder, along with Fathi Shikaki, of the Palestinian Islamic Jihad. Ramadan Abdullah Shallah's rise to power in the ranks of the Palestinian fundamentalist Islamic movement began in Egypt in 1981, where as a student, he joined forces with another Palestinian, Fathi Shikaki, to found the precursor Islamic fundamentalist movement of the Islamic Jihad organization. Returning to Gaza, Shallah lectured at the Islamic University, where he developed the reputation as a fire-branding preacher who captivated his audiences. Shallah obtained his master's and doctorate degrees from the University of Durham, in Great Britain, and in 1991, began his "stay" in Tampa where he would ultimately become a part-time professor of Middle East studies at the University of South Florida in Tampa. He also served as an officer, state corporate records prove, with the ICP, and the administrative director for WISE.

The public links between the ICP and WISE and the true fabric of the Islamic Jihad's command echelon remained covert until finally exposed following the assassination, on October

26, 1995, of Islamic Jihad leader Dr. Fathi Shikaki in Malta. Shikaki, the organization's operations chief in Damascus, had run terrorist cells in the West Bank and Gaza Strip and had issued tactical directives, apparently forwarded from Tampa, to his forces in the field. On Monday, October 30, 1995, an Arabic-language newspaper published in Jerusalem confirmed that while in the United States, Ramadan Abdullah Shallah had, indeed, acted as the deputy leader of Islamic Jihad, serving as the No. 2 man in the organization. Most troubling was the fact that Shallah has been the terrorist group's second-in-command for an incredible five years before succeeding Fathi Shikaki in October 1995. It was during that time period, as Islamic Jihad deputy commander, that Shallah taught at the University of South Florida and served as director for WISE.

Ramadan Abdullah Shallah's masquerade as an academic was shattered when news clips showed him meeting the Syrian air jetliner bringing Fathi Shikaki's body back to Damascus, along with a full military honor guard, and announcing him as the organization's newly elected leader. He delivered a fiery attack on Israel and the United States, threatening to unleash waves of terrorism. It was a particularly daunting sight to military officers at MacDill Air Force Base, near Tampa, as well, where Shallah had been invited previously to give briefings on the Middle East.

Khalil Shikaki, the brother of the gunned-down Islamic Jihad commander, was also an adjunct professor for the University of South Florida in 1992. In letters—released by the FBI—between Khalil Shikaki and Ramadan Abdullah Shallah, there are references to "Abu Omar," the Hamas nom de guerre of political chief Mousa Abu Marzook.

Professor Khalil Shikaki seemed to possess such an impassioned voice for moderate political solutions to the Middle Eastern problems that USF was prompted to finalize its cooperative relationship with WISE. Yet documents seized by federal officials uncovered a wealth of information, including incriminating letters, proving Khalil Shikaki used Shallah as a courier to ferry information, messages, and even operational materials to his brother Fathi in Damascus, head of Islamic Jihad. When publicly asked, however, Khalil always maintained he had no contact with his brother. Video and audio tapes of the ICP terrorist conferences show that Khalil participated alongside some of the most notorious terrorists in the world.

PIJ & U.S. Financial Institutions

In unprecedented detail, the indictment spells out how Sami Al-Arian, a tenured professor at the University of South Florida, ran a murderous terrorist organization from his home and office in Tampa, Florida. FBI wiretaps collected under the Foreign Intelligence Surveillance Act reveal that Al-Arian was the "Secretary" of the PIJ and a founding member of its Shura Council, or Board of Directors. Most importantly, Al-Arian "directed the audit of all monies and property of the PIJ throughout the world and was the leader of the PIJ in the United States."[4]

According to the indictment, PIJ leaders in the United States, including Sami Al-Arian, transferred "monies and funds by wire between the states in the United States, from locations

[4] United States of America v. Sami Amin Al-Arian, et al. United States District Court, Middle District of Florida, Tampa Division, February 20, 2003, Paragraph 7.

within the United States to places outside of the United States, all for the purpose of promoting PIJ activities and paying compensation to the families of PIJ 'martyrs' and detainees.'"[5]

Indeed, access to and use of U.S. financial institutions was critical to the successful operation of the Palestinian Islamic Jihad terrorist organization. The indictment specifically names at least 6 U.S. banks, including Barnett Bank, First Union National Bank, NCNB Bank, USF Federal Credit Union, Nations Bank and Chase Manhattan Bank, which the PIJ utilized to fund PIJ operations worldwide. There is no evidence whatsoever that these financial institutions were aware of the nefarious purpose of the financial transactions.

With great detail we now see how PIJ leaders and operatives used U.S. banks to launder money for terrorist activities. The following are several examples from the indictment of PIJ transactions involving U.S. financial institutions:

- "ICP maintained bank accounts at Barnett Bank, Jacksonville, Florida and First Union Bank, Tampa, Florida. Authorized signatories on the ICP bank accounts were Sami Amin Al-Arian, Unindicted Co-Conspirator Twelve [Mazen Al Najjar] and Mohamed Najjar."[6]
    - ICP was a PIJ front group in the United States directed by Sami Al-Arian.
- "WISE maintained a bank account at NCNB Bank, Tampa, Florida. Authorized signatures on the WISE bank account were Sami Amin Al-Arian, Ramadan Abdullah Shallah and Unindicted Co-Conspirator Twelve [Mazen Al Najjar]."[7]
    - WISE was a PIJ front group in the United States directed by Sami Al-Arian.
    - Ramadan Abdullah Shallah is the worldwide leader of the Palestinian Islamic Jihad. Both PIJ and Shallah are Specially Designated Global Terrorists.
- "On September 15, 1992, a co-conspirator wire transferred $99,990.00 from Arab Bank in Abu Dhabi, United Arab Emirates to the Federal Credit Union account of Unindicted Co-Conspirator Twelve [Mazen Al Najjar] at USF."[8]
- "On or about September 18, 1992, Unindicted Co-Conspirator Twelve [Mazen Al Najjar] wrote a check in the amount of $99,500.00 from his USF Federal Credit Union account to his account at Barnett Bank."[9]
- "On September 29, 1992, Unindicted Co-Conspirator Twelve [Mazen Al Najjar] transferred $98,500.00 from his bank account at Barnett Bank to his Barnett Securities account."[10]

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[5] United States of America v. Sami Amin Al-Arian, et al. United States District Court, Middle District of Florida, Tampa Division, February 20, 2003, paragraph 34

[6] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 7.

[7] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 8.

[8] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 23.

[9] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 23.

- NationsBank acquired Barnett Bank in January 1998.

- "On or about June 1, 1993, Sami Amin Al-Arian wrote a $5,000.00 check from an account he had at USF Federal Credit Union to his NCNB account. He then caused four separate wire transfers of $2,000.00 each to his account at Bank Leumi in Tel Aviv, Israel."[11]
- "On June 3, 1993, Sami Amin Al-Arian caused four wire transfers of $1,944.00 each from his account at Bank Leumi to accounts at Mercantile Discount Bank in Umm El Fahem (West Bank), Israel in the names of: Zahera Agbarya, Rokayah Agbarya, Mostafa Agbarya and Bushra Suleiman, all of whom were spouses or other relatives of recently convicted PIJ terrorists serving sentences in Israeli jails for their participation in a terrorist attack in or around mid-February, 1992, in which they murdered three Israelis."[12]
- "On or about March 20, 1994, Sami Amin Al-Arian received a facsimile from an unknown individual addressed to Muhammed Tasir Hassan Al-Khatib, which addressed the difficulties of paying money to the families of the martyrs and detainees and noted the account number and agent at the Cairo Bank in Jordan."[13]
- "On or about April 22, 1994, [SDGT] Fathi Shiqaqi wire transferred $19,984.50 to a bank account of Sameeh Hammoudeh at First Union National Bank in Florida via a bank in Beirut which used the Bank of New York as its United States correspondent."[14]
    - Fathi Shiqaqi was the original founder and leader of the Palestinian Islamic Jihad until his assassination in 1995. He was listed by the Treasury Department as Specially Designated Terrorist.
    - Sammee Hammoudeh is an indicted conspirator.
- "On or about May 4, 1994, Sameeh Hammoudeh sent $16,000.00 via check from his bank account at First Union National Bank in Florida to a banking account for WISE at Nations Bank in Tampa, Florida."[15]
- "On or about August 10, 1994, a conspirator caused a $14,936.60 wire transfer from a WISE bank account at Nations Bank in Tampa, Florida, to a bank account in the Republic of Sudan."[16]

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[10] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 23-24.
[11] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 24.
[12] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 24.
[13] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 45.
[14] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 53.
[15] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 55-56.
[16] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 59.

- "On or about February 24, 1995, Ramadan Abdullah Shallah received a facsimile from Fathi Shiqaqi which contained information about a Bank of Boston account number."[17]
- "On or about February 28, 1995, Sameeh Hammoudeh wire transferred $3,190.00 from his account at First Union National Bank to the Arab Bank account in Nablus, Israel, for Tarik Tahseen Mekawi."[18]
- "On or about April 17, 1998, Sami Amin Al-Arian engaged in a telephone conversation with his brother Khaled in which they discussed: (a) 'that thing;' (b) the fact that there was no account number to send it to; (c) that it should be transferred through Chase Manhattan Bank to a bank in Egypt; (d) Sami Amin Al-Arian's unhappiness with this transfer method; and (e) the need for Sami Amin Al-Arian to call 'the guy and 'the other guy.'"[19]
- "On or about July 20, 1999, Sami Amin Al-Arian had a telephone conversation with the USF Credit Union and directed it to place $1,600.00 into his checking account from a $8,984.00 wire transfer which had been deposited in his account on July 6, 1999."[20]

Indeed, by their own admission, the senior leaders of the PIJ considered the open and secure financial system of the United States as critical to the success of the organization. On April 29, 1995, FBI wiretaps recorded a telephone conversation between current PIJ Secretary General Ramadan Abdullah Shallah and former Secretary General Fathi Shiqaqi, who was in Syria. In the conversation, Ramadan Abdullah Shallah was critical of the pending terrorism legislation and indicated that if it passed, it would become difficult to accomplish things in the United States, remarking that, "Tel Aviv will be easier than here."[21]

U.S. Based Fundraising

In 1994, the PIJ was on the verge of collapse as a result of severe difficulties in securing funds for terrorist operations. In addition to securing funds from sources in Iran, Kuwait and the Sudan, PIJ engaged in a number of scams to raise money from sources in the United States.

Raising Money for Orphans and Widows

Under the command of Sami Al-Arian, the PIJ established two non-profit organizations in the United States to raise money for the Jihad, under the pretext collecting money for 'needy families' and 'orphans.'

The Islamic Fund for Palestine and **Muslim Women's Society** were PIJ fronts that solicited donations through advertisements in Islamic publications and conferences.

Promotional materials distributed by the Islamic Fund for Palestine advised donors that:

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[17] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 68.
[18] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 68-69.
[19] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 93.
[20] United States of America v. Sami Amin Al-Arian. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Pg. 95.
[21] United States of America v. Sami Amin Al-Arian, et al. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003.

"The Islamic Fund for Palestine (IFP) is a charitable, non-profit institution. It works to collect donations, contributions, and all possible humanitarian aid in favor of the Palestinian people in the occupied home. It aims to support the steadfastness of that people in the face of different hardships, reduce its suffering, and provide emergency relief and basic living needs for the most harmed sector of that people."

The advertisements listed bank accounts in the United States and Switzerland through which to donate funds, including:

I.F.P.
Account No. 1469-501-8642
First Union National Bank
Jacksonville, Florida, U.S.A.

I.F.P.
Account No. C4-929 330 N.E.
SWISS BANK CORPORATION
Succursale de Cornavin
Place du Cornavin
SWITZERLAND

The Muslim Women's Society encouraged donors to "Sponsor an orphaned or needy child – either inside Palestine (West Bank or Gaza Strip) or in the refugee camps outside Palestine." The Muslim Women's Society described itself as "a group of volunteer women who are making someone's life a little easier – with the blessing of Allah (SWT)."

Although Hamas does actually support a social welfare infrastructure in the West Bank and Gaza, the Palestinian Islamic Jihad does not. In fact, on January 14, 1994, Sami Al-Arian sent a facsimile to PIJ members which suggested that the PIJ create a parallel organization that would provide social welfare services in the Occupied Territories. In a subsequent conversation, Sami Al-Arian said he had discussed the fax with other PIJ leaders and decided the PIJ did not need to create a non-violent organization to duplicate the efforts of Hamas.[22]

Further, in the deportation proceedings of PIJ operative Mazen al-Najjar, INS Special Agent William West testified that "WISE and ICP exist as fronts for the purpose of providing financial support for primarily to Middle East terrorist organizations ... primarily the Islamic Jihad...I believe the fund-raising support activities are the primary purpose of their [WISE and/or ICP] existence."

Tax Fraud

A familiar pattern among fundraising for terrorism is the sophisticated use of tax laws to maximize funds for terrorist operations. In addition to using 501(c)(3) corporations to solicit tax free contributions, PIJ laundered money through wealthy U.S. citizens to create fraudulent tax deductions.

As captured by FBI wiretaps, on March 6, 1994, Sami Al-Arian engaged in a telephone conversation with Unindicted Co-Conspirator One (who has been identified as Fawaz Damra) in which Sami Al-Arian described returning from Chicago after raising $53,000, $25,000 of which

[22] United States of America v. Sami Amin Al-Arian, et al. United States District Court, Middle District of Florida, Tampa Division. February 20, 2003. Page 27.

was collected in cash. Sami Al-Arian and Damra discussed a scheme in which Sami Al-Arian would send a portion of the donations collected in Chicago to Damra, who would arrange for the donations to be re-donated by a private individual, who would then take the donation as a tax deduction of 40%. Later the private individual would contribute a portion of the fraudulent tax deduction to Sami Al-Arian, thereby increasing the overall amount of the donations. Damra and Sami Al-Arian discussed how the private individuals who would participate in the scheme all made over $200,000.00 a year and were in the 40% tax bracket.

The 50 count indictment of Al-Arian provides a plethora of evidence showing how US financial institutions, as well as the patina of religion, academia and humanitarian cover, enabled one of the world's most violent and murderous terrorist organizations to operate with virtual impunity from the safety of the United States.

II. The Holy Land Foundation for Relief and Development

On December 4, 2001, the U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) named the Holy Land Foundation for Relief and Development (HLF or HLFRD), a Specially Designated Terrorist (SDT).[23]

According to the US Department of Treasury:

- "The Holy Land Foundation for Relief and Development...raises millions of dollars annually that is used by HAMAS."[24]
- "Holy Land supports HAMAS activities through direct fund transfers to its offices in the West Bank and Gaza that are affiliated with HAMAS and transfers funds to Islamic charity committees ('zakat committees') and other charitable organizations that are part of HAMAS or controlled by HAMAS members."[25]
- "Mousa Abu Marzook, a political leader of HAMAS, provided substantial funds to the Holy Land Foundation in the early 1990s. In 1994, Marzook (who was named a Specially Designated Terrorist by the Treasury Department in 1995) designated the Holy Land Foundation as the primary fund-raising entity for HAMAS in the United States."[26]

HAMAS is a designated foreign terrorist organization pursuant to powers bestowed upon the United States Department of State under the Antiterrorism and Effective Death Penalty Act of 1996.

BACKGROUND

While there are numerous examples of terrorist entities exploiting preexisting legitimate charities to shelter their activity, HLF is an example of a charity that is established for the sole purpose of funding terrorist activity, namely Hamas operations in Middle East and North America.

Founded in California in 1989, the Occupied Land Fund (OLF) changed its name to the Holy Land Foundation for Relief and Development in 1991. HLF moved its headquarters to Richardson Texas in September of 1992. From its inception in 1989, until December 2001, when its assets were frozen in the U.S., HLF collected donations in the US under the guise of a humanitarian and charitable organization. These funds would be wired to HAMAS charitable conduits within the West Bank and Gaza Strip which would then transfer these funds to varying HAMAS efforts. For example,

HLF grant lists reveal that between 1992 and 2001 HLF contributed approximately 1.4 million dollars to eight HAMAS-controlled "zakat" (charity) committees. HLF grant lists also

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[23] Exhibit 1: U.S. Department of the Treasury, Office of Foreign Assets Control. Executive Order 13224 blocking Terrorist Property and a summary of the Terrorism Sanctions Regulations, Terrorism List Governments Sanctions Regulations, and Foreign Terrorist Organizations Sanctions Regulations. February 26, 2003.

[24] Treasury Department Office of Public Affairs, *Shutting Down the Terrorist Financial Network*, December 4, 2001.

[25] Treasury Department Office of Public Affairs, *Shutting Down the Terrorist Financial Network*, December 4, 2001.

[26] Treasury Department Office of Public Affairs, *Shutting Down the Terrorist Financial Network*, December 4, 2001.

establish that between 1992 and 2001, HLF gave approximately 5 million dollars to seven other HAMAS-controlled charitable organizations, including a hospital in Gaza[27]

HLF also paid for HAMAS leaders to travel to the US on fund-raising trips.

HLF solicited donations in several ways. Among them, advertising in Islamic publications, distributing a newsletter entitled *HLF News*, conducting fundraising sessions at Islamic conferences and mosques,[28] posting a website, partnering with American corporations and directly soliciting high net worth individuals.

According to HLF's Forms 990s filed with the IRS, HLF collected over $28,800,000 in charitable contributions between 1989 and 1999.[29]

EARLY PLANNING MEETINGS

A November 2001 FBI memorandum to the US Department of Treasury describes early planning meetings in the US:

> "In 1993 and 1994, the FBI monitored meetings of identified HAMAS leaders and senior representatives from [HLF]. During these meetings, discussions were held regarding the need for HAMAS fund-raising in the United States, as well as the primary role of [HLF] to serve this function."[30]

Meetings under surveillance by federal law enforcement included a 1993 meeting in Philadelphia where five senior HAMAS officials and three senior HLF leaders were in attendance.[31] According to the FBI, "It was decided that most or almost all of the funds collected in the future should be directed to enhance the Islamic Resistance Movement [HAMAS] and to weaken the self-rule government [in Israel]."

When discussing who should be the beneficiary of the monies collected it was stressed by one of the participants that "the most important thing we can offer at this stage is to support the Jihad." He said they should not concentrate on those [Palestinians] who will likely get money from "the United Nations, the United States and others, but "[p]eople directly connected to the Jihad should get more assistance." [32] According to the government's response to a Civil Action case filed by HLF, evidence recovered from HLF's offices included:

- 1992 sponsorship forms (for recording charitable contributions to HLFRD) with a space on the form for social worker comments indicating that in nearly every case the applicant's parent or guardian was either jailed by the Israeli government or martyred.
- Two letters from HLF employees requesting the nomination of children and families or martyrs. In one of the letters, HLF employee, Ibrahim Khalil states:

  > "We asked you for 40 application forms for needy families from several regions to be sent ASAP, families of the martyrs, if possible would be good."

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[27] HLFRD vs. John Ashcroft, Memorandum Opinion, August 2002, page 23
[28] Periodic Newsletter Published by The Holy Land Foundation for Relief & Development, *The Holy Land Foundation Newsletter*, Volume 1, Issue 2, December 1993.
[29] Holy Land Foundation for Relief and Development IRS Forms 990, 1989 – 1999.
[30] Dale L. Watson, Assistant Director Counterterrorism Division, Holy Land Foundation for Relief and Development International Emergency Economic Powers Act Action Memorandum. November 5, 2001.
[31] HLFRD vs. John Ashcroft, Memorandum Opinion, August 2002, page 22
[32] HLFRD vs. Ashcroft, Page 1443.

- A 1995 report based on the Israeli government's analysis of documents it recovered from HLF's Jerusalem office, showed funds transferred from HLF to the Islamic Relief Agency for distribution and included the list of people supported by those funds. The report indicates that people who were not demonstrably connected to HAMAS activists received lower payments when compared to those with known HAMAS connections.[33]

It was decided which groups should be targeted in raising funds, including Palestinians, Arabs, Muslims, the American media, and American corporations for contributions. They discussed sponsoring 15 festivals at various locations in the US in an effort to raise money and spread propaganda.[34]

The discussion among the HLF and HAMAS leaders at these meetings illustrated their knowledge of how to best utilize the US as a safe and lucrative place for fundraising and propaganda. This meeting stressed that the capabilities for fund-raising within the United States were amplified by the "democratic environment in the United States." As the FBI states in its report regarding this meeting, "The participants decided that for fund-raising purposes, the United States theater was very valuable to them. They stated they could not afford to lose it." In other words, as with other terrorist organizations raising funds within the United States, the ability to exploit the freedoms here was of paramount importance and relevance. Thus, Hamas terrorist operations could flourish through the assistance of monies received from the United States vis-à-vis HLF.

In addition, while emphasizing that it was crucial to appear neutral to the public, they discussed how to simultaneously garner Palestinian loyalty for the HAMAS movement versus Arafat and the Palestinian Authority. HLF and Hamas considered the PA a competitor at best but more accurately, an enemy. On of the points that the meeting participants agreed on was the need to make the peace accord fail.[35] It was discussed that one of the ways to achieve this was to announce to the Palestinians that "reconciliation is unacceptable under Islamic law" and that "[p]eople in the home land may be happy for getting financial compensation, or better standard of level [sic], and may accept the accord based on these considerations. But once you tell them the accord is a violation of the Islamic law they will not be able to accept it."[36]

Shukri Abu Baker, (the head of HLF throughout its existence), warned his colleagues that they had to "behave as an American organization...and take care of the Palestinian people and not a particular population. Our Relation has to be good with everyone...but we can give the Islamists 100,000 and 5,000 to the others."[37] In discussing his strategy to garner loyalty with the Palestinians, Abu Bakr says they should help the "...Palestinian population to form joint ventures with large American companies. We can also help them get franchises authorizations with large American companies...those brothers whom you help doing these things will ultimately be loyal to you politically."[38]

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[33] HLFRD vs. John Ashcroft, Memorandum Opinion, August 2002, Page 25
[34] HLFRD vs. John Ashcroft, Exhibit 14.
[35] HLFRD vs. John Ashcroft, page 1458
[36] HLFRD vs. John Ashcroft, page 1459
[37] HLFRD vs. John Ashcroft, page 1434.
[38] HLFRD vs. John Ashcroft, page 1442.

HLF & the U.S. Financial System

HLF cunningly leveraged U.S. financial institutions to raise and transfer fund for Hamas activities. The November 2001 FBI memorandum lists selected HLF transactions involving U.S. Financial Institutions:

- "SDT Mousa Abu Marzook deposited a $100,000 check from the Central Fidelity Bank Account #7920439173 and $100,000 check from a First Virginia Bank Account #68168179 to the HLFRD account at Bank of America, California Account #0941402284."[39]
- "On August 31, 1992, Nasser Alktalib, who was described as Marzook's personal secretary[40] deposited a check for $22,000 into the HLFRD Bank One Account #1070001258. This check was dated August 24, 1992, and written to 'Holy Land Foundation' from First Virginia Bank Account #50650599, listing Nasser and Narman Alkhatib, 6166 Leesburg Pike, Falls Church, on the check."[41]
- "financial records reveal that Ismail Elbarrase and Marzook opened a bank account in the name of the Islamic Association for Palestine (IAP) on January 12, 1990 at the Central Fidelity Bank, Arlington, VA. Elbarrasse was the signatory on that account. Bank records show deposits of seven checks totaling $125,000 on this IAP account in 1990 and 1991."[42]
- "HLFRD funded Hamas controlled zakat committees, offices and organizations by means of wire transfers from its Bank One accounts in Texas. Shukri Abu Baker and Ghassan Elashi are the primary signatories of record on these accounts."[43]
- "HLFRD funded Hamas controlled zakat committees, offices and organizations by means of wire transfers from its Bank One accounts in Texas. Shukri Abu Baker and **Ghassan Elashi** are the primary signatories of record on these accounts."[44]
    - **Ghassan Elashi**, a co-founder and officer of HLFRD, was indicted in December 2002, along with four of his brothers on charges of shipping computer parts to Libya and Syria, and for doing business with Mousa Abu Marzook, a senior political leader of HAMAS. The brothers ran a company called Infocom Corporation. Infocom was raided on September 5, 2001 and the brothers were indicted along with Nadia Elashi and her husband Mousa Abu Marzook in December 2002.

      Infocom, located in Richardson Texas, was incorporated in Texas in 1992. Infocom sold computer systems, networking, telecommunications and internet services.

[39] Dale L. Watson, Assistant Director Counterterrorism Division. Holy Land Foundation for Relief and Development International Emergency Economic Powers Act Action Memorandum. November 5, 2001. Pg. 15.
[40] Nasser Al-Khatib was described as Marzook's personal secretary in an Affidavit filed by FBI Special Agent Robert Wright pursuant to a HAMAS related civil forfeiture case in Chicago, Illinois.
[41] Dale L. Watson, Assistant Director Counterterrorism Division. Holy Land Foundation for Relief and Development International Emergency Economic Powers Act Action Memorandum. November 5, 2001. Pg. 15.
[42] Dale L. Watson, Assistant Director Counterterrorism Division. Holy Land Foundation for Relief and Development International Emergency Economic Powers Act Action Memorandum. November 5, 2001. Pg. 16.
[43] Dale L. Watson, Assistant Director Counterterrorism Division. Holy Land Foundation for Relief and Development International Emergency Economic Powers Act Action Memorandum. November 5, 2001. Pg. 49.
[44] Exhibit 28: Dale L. Watson, Assistant Director Counterterrorism Division. Holy Land Foundation for Relief and Development International Emergency Economic Powers Act Action Memorandum. November 5, 2001. Pg. 49.

Infocom also exported computers and computer components to customers primarily located in the Middle East.[45]

According to a Dallas Grand Jury. Mousa Abu Marzook made a $150,000 investment in Infocom in July of 1992 (the same year he gave $210,000 to HLFRD). In less than a year Marzook's account was closed and a $250,000 investment was made in Nadia Elashi's name. Between August 1995 and July 2001, Bayan, Ghassan and Basman Elashi and Mousa Abu Marzook, Nadia Elashi and Infocom annually renewed the agreement and made regular payments to Nadia Elashi "at the behest and under the direction of Mousa Abu Marzook.[46]

On August 9, 1995, Mousa Abu Marzook was designated as a Specially Designated Terrorist based upon his support of terrorist activities through his position as the leader of HAMAS' Political Bureau. After the date of designation, any interest, in any property, direct or indirect, held by Mousa Abu Marzook and subject to the jurisdiction of the US was blocked as a matter of law. Any US person or entity who possessed any funds in which any interest was held by Marzook, should have reported such interest to the proper authorities. Any dealings in those funds after Marzook's designation date, or any attempt to avoid acknowledgement of the funds is unlawful.[47]]

HLF methods of raising and receiving funds included:

- HLF accepted tax deductible donations by credit card, direct bank account withdrawals and personal checks to the following bank accounts:[48]
  - Holy Land Foundation, Citibank, Chicago, Account Number: 0980061884.[49]
  - Holy Land Foundation, Bank One, Texas, Account Number: 1070001258, Routing Number: 111000614.
- On the HLF website, visitors could send contributions to a variety of programs or funds by entering their credit card or bank information in a Donation Submissions Form.[50]
- In the January 1998 issue of *HLF News*, readers are encouraged to donate and transfer stock and include HLF in their wills.[51]

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[45] USA v. Bayan Elashi, Ghassan Elashi, Basman Elashi, HazimElashi, Ihsan Elashi, Mousa Abu Marzook, Nadia Elashi (Marzook) and Infocom Corporation, United States District Court for the Northern District of Dallas, Dallas Division, Page 1.

[46] USA v. Bayan Elashi, Ghassan Elashi, Basman Elashi, HazimElashi, Ihsan Elashi, Mousa Abu Marzook, Nadia Elashi (Marzook) and Infocom Corporation, United States District Court for the Northern District of Dallas, Dallas Division, Page 20.

[47] USA v. Bayan Elashi, Ghassan Elashi, Basman Elashi, HazimElashi, Ihsan Elashi, Mousa Abu Marzook, Nadia Elashi (Marzook) and Infocom Corporation, United States District Court for the Northern District of Dallas, Dallas Division, Page 6.

[48] Periodic Newsletter Published by The Holy Land Foundation for Relief & Development, *HLF News*, Volume 5, Issue 1, March/April 1998.

[49] www.101days.org english\www.interpal.org\web\usa.htm. August 14, 2002.

[50] www.hlf.org/donate.html and www.hlf.org/cgi-bin/sc/orderb2f1.html. December 4, 2001

- HLF publicized a partnership with the supermarket chain Albertson's, where for every dollar a donor spends, Albertson's contributes a certain percentage to the organization.[52]
- HLF accepted a gift in the memory of a loved one, along with gift in-kind, like real estate, supplies, jewelry, etc.[53]
- HLF partnered with major organizations and companies, including the United Way, Microsoft, Ericsson, American Express, Clorox and Home Depot, to create employee gift matching programs.[54]

[51] The Holy Land Foundation for Relief & Development, *HLF News*, Volume 4, Issue 10, January 1998 and The Holy Land Foundation for Relief & Development, *HLF News*, Volume 5, Issue 3, December 1998.
[52] The Holy Land Foundation for Relief & Development, *HLF News*, Volume 4, Issue 10, January 1998.
[53] The Holy Land Foundation for Relief & Development, *HLF News*, Volume 5, Issue 3, December 1998.
[54] The Holy Land Foundation for Relief & Development, *HLF News*, Volume 5, Issue 3, December 1998.

III. Global Relief Foundation

On December 14, 2001, the Department of Treasury froze the assets of Global Relief Foundation ("GRF") as a result of their financial support of al-Qaeda.[55] On October 18, 2002, OFAC listed GRF as a Specially Designated Global Terrorist.[56] According to the Treasury Department, "Global Relief Foundation, has connections to, has provided support for, and has provided assistance to Usama Bin Ladin, the al Qaida Network, and other known terrorist groups."[57]

The Treasury Department further disclosed that, "Rabih Haddad, a senior GRF official who co-founded GRF and served as its president throughout the 1990s and in the year 2000, worked for Makhtab al-Khidamat (MAK) in Pakistan in the early 1990s."[58] Makhtab al-Khidamat is the predecessor organization to al Qaeda. According to the Treasury Department, high-ranking al Qaeda financier Mohammed Zouaydi, who was arrested in April 2002 in Spain, had given more than $200,000 to GRF.[59]

A pamphlet produced by GRF in 1995 reads "God equated martyrdom through JIHAD with supplying funds for the JIHAD effort. All contributions should be mailed to: GRF."[60] Another GRF newsletter requested donations "for God's cause – they [the Zakat funds] are disbursed for equipping the raiders, for the purchase of ammunition and food, and for their [the Mujahideen's] transportation so that they can raise God the Almighty's word . . . it is likely that the most important of disbursement of Zakat in our times is on the jihad for God's cause..."[61]

According to GRF's Forms 990 filed with the IRS, GRF collected over $15,400,000 in charitable contributions between 1993 and 2000.[62]

GRF solicited donations by advertising in Islamic publications, distributing a quarterly newsletter entitled *Global News*, conducting fundraising sessions at Islamic conferences and mosques,[63] posting a website, and directly soliciting high net worth individuals.

- During Ramadan, GRF distributed Zakat worksheets, assisting Muslims in donating 2.5% of their total assets to charity in accordance with Muslim law.[64]

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[55] U.S. Department of the Treasury, Office of Foreign Assets Control. Executive Order 13224 blocking Terrorist Property and a summary of the Terrorism Sanctions Regulations, Terrorism List Governments Sanctions Regulations, and Foreign Terrorist Organizations Sanctions Regulations. February 26, 2003.

[56] U.S. Department of the Treasury, Office of Foreign Assets Control. Executive Order 13224 blocking Terrorist Property and a summary of the Terrorism Sanctions Regulations, Terrorism List Governments Sanctions Regulations, and Foreign Terrorist Organizations Sanctions Regulations. February 26, 2003.

[57] Treasury Department Office Of Public Affairs, *Treasury Department Statement Regarding the Designation of the Global Relief Foundation*, October 18, 2002.

[58] Treasury Department Office Of Public Affairs, *Treasury Department Statement Regarding the Designation of the Global Relief Foundation*, October 18, 2002.

[59] Treasury Department Office Of Public Affairs, *Treasury Department Statement Regarding the Designation of the Global Relief Foundation*, October 18, 2002.

[60] Treasury Department Office Of Public Affairs, *Treasury Department Statement Regarding the Designation of the Global Relief Foundation*, October 18, 2002.

[61] Treasury Department Office Of Public Affairs, *Treasury Department Statement Regarding the Designation of the Global Relief Foundation*, October 18, 2002.

[62] Global Relief Foundation IRS Forms 990, 1993 – 2000.

[63] Quarterly Publication of Global Relief Foundation, *Global News*, Volume V, Number 2, Autumn 1998.

[64] Biweekly publication of Islamic Association for Palestine, *Al-Zaitonah*, Volume 6, Number 157, December 19,1997 and Quarterly Publication of Global Relief Foundation, *Global News*, Volume IV, Winter 1997.

- GRF encouraged donors to participate in corporate gift-matching programs where companies match or sometimes double their employees' tax exempt donations. GRF's website indicates matching gifts from Fortune 500 companies including American Express, Microsoft, Pfizer and Polaroid.[65]

GRF accepted funds in the form of:

- Checks payable to GRF. Deposited to City Bank, FSB Chicago, IL 60603 USA, Account Number: 0980061884.[66]
- Credit card donation accepted online on the GRF website or by phone.[67]
- Wire transfer to the GRF bank account: Global Relief Foundation, City Bank, FSB Chicago, IL 60603 USA, Account Number: 0980061884, Routing Number 271070801.[68]
- Stocks donated though Wedgewood Partners, a securities brokerage firm located at 9909 Clayton Road, St. Louis, MO 63124, (800) 537-1252, (Account Number 580-22148-16 and DTC number 0158), member National Associate of Securities Dealers and Securities Investor Protection Corporation.[69]
- Automatic electronic contributions of specified dollar amounts deducted from donors' credit cards or checking accounts on a daily or monthly basis.[70]

Selected donations made to GRF:

1. Care International, Inc. (510 Commonwealth Ave. #275, Boston, MA 02215 and 738 Commonwealth Ave. #275, Boston, MA 02215)
    - $24,438 – Fiscal Year 1996
    - $7,563 – Fiscal Year 1997
    - $37,360 – Fiscal Year 1998
    - $22,344 – Fiscal Year 1999
    - $10,679 – Fiscal Year 1999
    - $78,200 – Fiscal Year 2000
    - Total: $180,384

Care International was founded in April 1993 in Boston, Massachusetts. The stated purpose of the charity organization was to "provide assistance to war victims and to war refugees around the Muslim world," in countries such as Chechnya, Bosnia, Palestine, Afghanistan, Kashmir, Sudan, Bangladesh, and Turkey.

However, Care International has done much more than merely provide charity aid to refugees and war victims. In fact, long prior to its official founding in 1993, the organization

[65] www.grf.org/helpnow-corporate.html. November 29, 2001.
[66] www.grf.org/old/arabic/donationdet.htm. November 29, 2001.
[67] www.grf.org/helpnow-online-2.html and www.grf.org/helpnow-phone.html. November 29, 2001.
[68] www.grf.org/helpnow-wire.html. November 29, 2001.
[69] www.grf.org/helpnow-stocks.html. November 29, 2001.
[70] www.grf.org/helpnow-dollaraday.html. November 29, 2001.

acted as the branch office of the Al-Kifah Refugee Center in Boston. The Al-Kifah Refugee Center was one of the primary U.S. conduits for the raising of funds and recruitment of volunteers to support an Islamic jihad in Afghanistan. It was established in the mid 1980s by the militant jihadi Shaykh Abdallah Azzam. Al-Kifah was established as the American-based affiliate of Mekhtab-e-Khademat (MeK), which after the end of the Soviet-Afghan war became Usama bin Laden's Al-Qaida organization.

Care's fundraising literature openly glorifies jihad and martyrdom. Its ultra-militant newsletter, known as "Al-Hussam," described itself as an exclusive, authentic source of information about "Jihad action."[71] Al-Hussam contained such violent exhortations as "Fight them, and Allah will punish them by your hands, and disgrace them, and help you (to victory) over them" and "it is now that fighting has come and there will always be a group of [Muslims] who fight in the path of Allah... they fight until the day of Judgment."[72]

2. American World-Wide Relief (7516 La Jolla Blvd., La Jolla, CA 92037)

   - $10,000 – Fiscal Year 1996

In 1993, two Muslims from southern California, Mohammad Zaki and Kifah Jayyousi, established a haven of radical Muslim fundamentalist thought in Southern California. Their extremist ideals were channeled into the creation of three joint entities: the American Islamic Group (AIG), American World-Wide Relief (AWWR), and the Islamic Information Center of the Americas. Essentially, the three groups played separate but integral roles in a critical terrorist recruitment and support center for disciples of Usama bin Laden. AIG served as the political front, issuing regular communiqués and news reports. AWWR (formerly known as "Save Bosnia Now") was the charitable arm, providing substantial financial support to Al-Qaida-affiliated terrorist groups in Algeria, Bosnia, Chechnya, and elsewhere. The Islamic Information Center of the Americas was the mosque, the religious epicenter where these radicals attempted to personally spread their propaganda.

AWWR had an account at Bank of America, 7680 Girard Ave, La Jolla, CA 92037, account # 01703-16104. AIG had an account at Bank of America, account # 09008-14863.

3. Islamic Society of Arlington (P.O. Box 1141, Arlington, TX 76004)

   - $5,000 – Fiscal Year 1996
   - $25,500 – Fiscal Year 1997
   - $23,335 – Fiscal Year 1998
   - $26,521 – FiscalYear1999
   - Total: $80,356

For over a decade until the year 2000, the Islamic Society of Arlington was headed by Imam Moataz al-Hallak, a Syrian-born Muslim cleric who adheres to a radical brand of Islam known as Salafism. Al Hallak moved to Laurel, Md., in 2000 after the governing board of the

[71] Tabib, Tawfig. "Interview with Comm. Abu Abdel Aziz Barbaros." Al-Sirat Al-Mustaqeem. August 1994. Please note the following prefaced section: "For updates on 'Jihad action' consult the homepage of CARE INTERNATIONAL, INC. or al-Hussam on-line (The Sword on-line)."
[72] Al-Hussam Newsletter. April 16, 1993; February 5, 1993.

Arlington mosque declined to renew his employment contract because of differences over his conservative Islamic philosophy.

Al Hallack is listed in the address book of Wadi el Hage. El Hage was a senior al-Qaeda member described by U.S. intelligence officials as Osama bin Laden's personal secretary. El Hage is serving a life sentence in the U.S. for his role in coordinating the 1998 bombings of the U.S. Embassies in Kenya and Tanzania. Al-Hallak has not been charged with a crime, but court filings by federal prosecutors accuse the cleric of providing cover for El Hage,[73] including participating in business deals with him and finding him a job at a Fort Worth tire store.

4. Adham Hassoun (12675 N.E. 13th St., Sunrise, FL 33323)

- $5,100 – Fiscal Year1997
- $6,000+ – Fiscal Year 2000
- Total: Approximately $11,100

The INS has detained Adham Hassoun for violating the terms of his visa. Hassoun is in the US on a student visa, and has not been attending school. Hassoun will not be eligible for relief from deportation (asylum for example) should the INS establish that he has supported terrorism. Hassoun has ties to Jose Padilla, the "Dirty Bomber," arrested at Chicago's O'Hare airport on May 8, 2002. Hassoun's attorney and other sources confirmed that he had contact with Padilla on several occasions and even gave Padilla several hundred dollars once as 'an act of charity.'[74]

Hassoun was listed as the North American and United States distributor of the Islamic Magazine, Nida 'ul Islam (Call to Islam), a militant publication that has published articles on jihad, the Taliban, and Islamic Warriors, as well as interviews with the Osama bin Laden, Shiek Omar Adbul Rahman and officials from Jama'a Islamia and Sudan's National Islamic Front.[75]

According to video tape obtained by the Investigative Project, Adham Hassoun was introduced as the "Director of East Chapter of the American Islamic Group" at the Barry University event.[76]

Hasssoun is listed as the Registered Agent on the Articles of Incorporation of Benevolence International Foundation, filed in Florida in 1993.[77] On December 14, 2001, the Department of Treasury froze the assets of Benevolence International Foundation ("BIF") in response to their financial support of al-Qaeda.[78] According to an April 29, 2002 FBI affidavit filed in support of the Justice Department's indictment of BIF president Enaam Arnaout, "BIF is an organization al-Qaeda has used for logistical support, including the movement of money to

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[73] Ben Tinsley. "Muslim officials want imam banned from mosque; Supporters say leader should retain role." The Dallas Morning News. March 21, 2000.

[74] Kidwell, David, "Bomb suspect, Broward man spoke, FBI says," *The Miami Herald*, June 29, 2002.

[75] Call to Islam, January-February 1996, December-January 1996-1997, and February-March 1997, April-May 1997 and Call to Islam Website, November 15, 1996.

[76] Videotape, *The Holy Land: Peace or Jihad?*, Barry University, February 13, 1996.

[77] Articles of Incorporation, Benevolence International Foundation, *Florida Secretary of State*, Filed February 12, 1993.

[78] U.S. Department of the Treasury, Office of Foreign Assets Control. Executive Order 13224 blocking Terrorist Property and a summary of the Terrorism Sanctions Regulations, Terrorism List Governments Sanctions Regulations, and Foreign Terrorist Organizations Sanctions Regulations. February 26, 2003.

fund its operations."[79] On November 19, 2002, OFAC listed BIF as a Specially Designated Global Terrorist (SDGT).[80]

5. Masjed As-Saber/ The Islamic Center of Portland (P.O. Box 19562, Portland, OR 97280)

   - $36,935 – Fiscal Year 2000

   Imad "Ed" Tarabishy (4275 Riverbirch Drive, Spring Hill, FL 34607 and 24013 Frederick Dr., Brooksville, FL 34601)

   - $121,500 – Fiscal Year 1996
   - $121,390 – Fiscal Year 1998
   - $10,000 – Fiscal Year 1997 (c/o Susan Tarabishy, wife of Imad)
   - $25,000 – Fiscal Year1999
   - $56,000 – Fiscal Year 2000
   - Total: $333,890

Masjid As-Saber was first incorporated in May 1983 by a number of prominent Muslims backed by the wealth and prestige of the North American Islamic Trust (NAIT).[81] According to a 1998 Chicago Tribune article, NAIT had "strong ties" to the Quranic Literacy Institute (QLI).[82] FBI Agent Robert Wright, in a sworn affidavit, confirmed that QLI was used in the early 1990s by a group of Arab-Americans as a corporate entity to launder funds for the Hamas terrorist organization.[83] Imad Tarabishy, a Florida surgeon who is on both the board of trustees and board of advisors of NAIT, gave at least $796,600 between 1996 and 2000 to the Benevolence International Foundation (BIF) and the Global Relief Foundation (GRF).[84]

In September 1998, articles of incorporation were re-filed for the Islamic Center of Portland/Masjid As-Saber by Shaykh Mohamed Abdirahman Kariye, Saleh Musleh, Mustafa El-Ogbi, and Mohammad Da'as Fadda in order to "enable Muslims to live with Islamic doctrine."[85] Since then, the Center has attracted significant radical fundamentalist activity in the United States.

On October 24, 2001, Ali Khaled Steitiye, a regular worshipper at the Islamic Center of Portland, was arrested on federal gun and fraud charges. Several months later, he was convicted

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[79] Patrick J. Fitzgerald, United States Attorney, Northern District of Illinois, "Suburban Chicago-Based International Charity And Its Director Charged With Perjury Relating To Alleged Terrorist Activity." April 29, 2002. Pg. 2.
[80] U.S. Department of the Treasury, Office of Foreign Assets Control. Executive Order 13224 blocking Terrorist Property and a summary of the Terrorism Sanctions Regulations, Terrorism List Governments Sanctions Regulations, and Foreign Terrorist Organizations Sanctions Regulations. February 26, 2003.
[81] Oregon Nonprofit Articles of Incorporation for "Masjid Assabr." Filed May 24, 1983. See also: State of Oregon Warranty Deed on behalf of "Ali Rashid al-Nuaimi and Ibrahim Hussein Alzobidi" conveying lots to "North American Islamic Trust." Filed November 28, 1980.
[82] Gaines, William and Andrew Marti. "Terror-Funding Probe Touches Suburban Group." The Chicago Tribune. September 8, 1998.
[83] Sworn affidavit by FBI Agent Robert Wright. Sworn and subscribed on June 8, 1998.
[84] IRS 990 Form fiscal years 1996, 1997, 1998, 1999, and 2000 for the "Global Relief Foundation." See also: Gutierrez, Pedro Ruz and Jim Leusner. "Donors fret at Potential Terror Links." The Orlando Sentinel. December 28, 2001. Page A1. See also: Original document titled "North American Islamic Trust: Board of Trustees, Board of Advisors." Dated approximately Winter 1993.
[85] http://www.guidestar.org. Section: "Mission." July 31, 2002.

on the basis of the evidence collected by federal agents at his home and in his car, including a loaded 9 mm handgun, an assault rifle, more than 1,000 rounds of ammunition, a machete, $20,000 in cash, a calendar with September 11 circled in red ink, and evidence suggesting a link to Hamas. Officials close to the investigation indicated that Steitiye had received military training from Palestinian Muslim militants in Lebanon associated with Hamas.[86]

Hassen A. Hassen (a.k.a. Hassen A. Laidi, Hassen A. Hassen Laidi), who is on the board and is a major trustee of the Islamic Center of Portland, [87] was the president of the now-defunct American branch of the Horn of Africa Relief Agency (HARA) and remains the editor of the prominent radical publication *Al-Jumuah* Magazine.[88] In the early 1990s, Hassen used HARA as a front to provide support to various Al-Qaida affiliates, including the Eritrean Islamic Jihad Movement (EIJM).[89] In July 1991, Hassen first founded the U.S. affiliate of HARA in Los Angeles.[90]

Hassen was also a significant donor to the Al-Kifah Refugee Center in Brooklyn. In April 1992, Hassen sent a check for $980 to the center.[91] Phone records from Al-Kifah indicate that someone at Hassen's address in Denver called the Al-Kifah Center at least once in 1992 shortly prior to the World Trade Center bombing.[92] Until its closure in 1994, Al-Kifah was the U.S. branch of Makhtab-e-Khademat (the "Mujahideen Services Office"), the direct predecessor of Al-Qaida.[93]

6. Rampart Technologies/ Khalil Zaidan (10175 SW Barbur Blvd. Suite 206, Portland, OR 97218)

   - $8,500 – Fiscal Year 2000

Khalil Zaidan currently lives in Portland, and owns and operates SofTech International and Rampart Technologies.[94]

Wadi El-Hage's personal papers and address book, submitted as evidence in the trials of the 1998 Embassy bombings, contain names and addresses of El-Hage's international contacts, including many Al-Qaida activists. The address book contains the following name and address:

"Khalil Zaidan, 4611 Luradel Street, Suite 13, Portland, OR 97219"

As a result of this evidence, Zaidan was subpoenaed at Wadih El-Hage's trial, despite El-Hage's motion to "quash any outstanding grand jury subpoenas."[95]

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[86] Larabee, Mark. "Man Guilty in Gun, Fraud Case." The Oregonian. June 18, 2002. Page B01.
[87] IRS 990 Form fiscal year 1998 for the "Islamic Center of Portland-Masjed As-Saber."
[88] Al-Jumuah mastheads from November 1997 through August 2002.
[89][65] U.S. v. Usama bin Laden, et al. United States District Court for the Southern District of New York. 116 F. Supp. 2d 489; 2000 U.S. Dist. LEXIS 14507. October 5, 2000, Decided. October 5, 2000, Filed. Testimony from Government Witness CS-1 (Jamal Mohamad Ahmed Al-Fadl), February 6, 2001; Pages 327-328.
[90][66] Lexis-Nexis incorp files for "Horn of Africa Relief Aid." The record lists the group's mailing address as P.O. Box741940. Los Angeles, CA 90004-8940.
[91] Check #1588 from "Hassen A. Hassen" for $982.00 made payable to "Mohammad Abbass." Found amongst material taken from the Al-Kifah Refugee Center in Brooklyn, NY.
[92] Phone records indicating an incoming call from (303)691-2201. Found amongst material taken from the Al-Kifah Refugee Center in Brooklyn, NY.
[93] U.S. v. Usama bin Laden, et al. United States District Court for the Southern District of New York. Indictment S(5) 98 Cr. 1023 (LBS); issued by U.S. Attorney Mary Jo White.
[94] AutotrackXP record on "Khalil Zaidan." http://www.autotrackxp.com.

According to phone records obtained during the 1993 World Trade Center bombing trial, Zaidan's Portland-based company Rampart Technologies was called at least once by the Al-Kifah Refugee Center.[96] Until its closure in 1994, Al-Kifah was the U.S. branch of Makhtab-e-Khademat (the "Mujahideen Services Office"), the direct predecessor of Al-Qaida.[97]

7. The Holy Land Foundation for Relief and Development (P.O. Box 832390, Richardson, TX 75083)

   - $18,521 – Fiscal Year 2000

On December 4, 2001, the U.S. Department of the Treasury Office of Foreign Assets Control (OFAC) named the Holy Land Foundation for Relief and Development (HLFRD), a Specially Designated Terrorist (SDT).[98]

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[95] U.S. v. Usama bin Laden, et al. United States District Court for the Southern District of New York. 116 F. Supp. 2d 489; 2000 U.S. Dist. LEXIS 14507. October 5, 2000, Decided. October 5, 2000, Filed.
[96] Phone records found amongst material taken from the Al-Kifah Refugee Center in Brooklyn, NY.
[97] U.S. v. Usama bin Laden, et al. United States District Court for the Southern District of New York. Indictment S(5) 98 Cr. 1023 (LBS); issued by U.S. Attorney Mary Jo White.
[98] U.S. Department of the Treasury, Office of Foreign Assets Control. Executive Order 13224 blocking Terrorist Property and a summary of the Terrorism Sanctions Regulations, Terrorism List Governments Sanctions Regulations, and Foreign Terrorist Organizations Sanctions Regulations. February 26, 2003.

IV. U.S. Charities & Front Groups Supporting Iraq

On February 19, 2003, four individuals and two organizations were indicted in the US District Court for the Northern District of New York on various charges stemming from a conspiracy to illegally pass funds to individuals in Iraq in violation of Executive orders 12722 and 12724.[99] The organizations were Help the Needy and Help the Needy Endowment, two names for a single organization. Help the Needy never applied or received non-profit status, and never obtained a license to send assets to Iraq.[100] According to the indictment, Help the Needy, Rafil Dhafir, Maher Zagha, Ayman Jarwan, and Osameh al Wahaidy conspired to "violate and evade...the 'Iraqi Sanctions Regulations,'...by among other things, transferring, directly and indirectly, funds and other financial and economic resources to one or more persons in the Country of Iraq."[101]

The investigation into Help the Needy began three years ago when two banks, Oneida Savings and Key Bank, filed "suspicious activity reports" regarding Help the Needy transactions.[102] Help the Needy evaded US regulations by passing funds through an account at the Jordan Islamic Bank held by Maher Zagha and the Zagha Trading Establishment in Jordan's "Free Zone." The indictment against Help the Needy lists four deposits of over $100,000 by Zagha trading drawn from Help the Needy accounts. The indictment details wire transfers and checks passed through Zagha Trading to "an individual known to the Grand Jury who was located in Baghdad." Zagha Trading specializes in imports from China and the Far East destined for use in Jordan and Iraq. On its websites and in its literature, Help the Needy explicitly asks readers to donate money destined for Iraq in the form of medical, housing, and religious assistance to Iraqis.[103]

Also on February 19, Sami Omar Al-Hussayen was indicted in the US District Court for Idaho on charges of visa fraud and false statements to the United States government.[104] Al-Hussayen was a PhD candidate in Computer Science at the University of Idaho, in Moscow, Idaho. The indictment alleges Al-Hussayen fraudulently testified in his visa application that his residence in the United States was solely for the purpose of study.[105]

In reality, Al-Hussayen, "maintained at least six United States bank accounts," and "used said bank accounts to receive large sums of monies from within and without the United States, and to transfer and cause to be transferred large sums of monies to the [Islamic Assembly of North America, (IANA)] and other organizations and individuals."[106] Corporate records indicate al-Hussayen was operating numerous websites including, among others, www.Helptheneedy.org,

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[99] United States of America v. Rafil Dhafir, Maher Zagha, Ayman Jarwan, Osameh al Wahaidy, Help the Needy, and Help the Needy Endowment, Inc, US District Court for the Northern District of New York, 5: 03-CR-64(nam).
[100] United States of America v. Rafil Dhafir, Maher Zagha, Ayman Jarwan, Osameh al Wahaidy, Help the Needy, and Help the Needy Endowment, Inc, US District Court for the Northern District of New York, 5: 03-CR-64(nam).
[101] United States of America v. Rafil Dhafir, Maher Zagha, Ayman Jarwan, Osameh al Wahaidy, Help the Needy, and Help the Needy Endowment, Inc, US District Court for the Northern District of New York, 5: 03-CR-64(nam).
[102] Syracuse Post-Standard, "US Says CNY Charity Broke Iraq Sanctions," February 27, 2003.
[103] www.helptheneedy.net, December, 2001.
[104] United States of America v. Sami Omar al-Hussayen, US District Court for the District of Idaho, CR-03 048-NEJL.
[105] United States of America v. Sami Omar al-Hussayen, US District Court for the District of Idaho, CR-03 048-NEJL.
[106] United States of America v. Sami Omar al-Hussayen, US District Court for the District of Idaho, CR-03 048-NEJL.

www.alasr.ws, and www.iananet.org.[107] Thus, in addition to his fraud, al-Hussayen operated two Help the Needy websites; www.helptheneedy.org, and another site subsidiary to the IANA site, www.iananet.org.

Al-Hussayen has been IANA's Registered Agent since May, 2001,[108] and Alasr.ws is the website for IANA's Arabic-language newspaper, Al-asr. In May 2001, Al-Asr reprinted three *fatwas* from radical Saudi clerics close to Usama Bin Laden that openly endorsed "martyrdom operations."[109] The Al-Hussayen indictment quotes one *fatwa* at length"

> "The second part is that the *Mujahid* (warrior) must kill himself if he knows that this will lead to killing a great number of the enemies, and that he will not be able to kill them without killing himself first, or demolishing a center vital to the enemy or its military force, and so on. This is not possible except by involveing the human element in the operation. In this new era, this can be accomplished with the modern means of bombing or **bringing down an airplane** on an important location that will cause the enemy great losses" [emphasis included][110]

IANA was the only American Muslim organization to be individually promoted on the website of Azzam Publications, widely considered to be the premier English-language mouthpiece of Al-Qaida.[111]

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[107] www.register.com. March 5, 2003.
[108] Idaho Secretary of State Corporate records, Number C0139005, May 11, 2001.
[109] http://www.alasr.ws/alasr/Files/Fedai/article_105.shtml and http://www.alasr.ws/alasr/Files/Fedai/article_115.shtml. Dated May 2, 2001. ALSO, Pittsburgh Tribune-Review, "Magazine writers moved on to Islamist groups," August 4, 2002.
[110] United States of America v. Sami Omar al-Hussayen, US District Court for the District of Idaho, CR-03 048-NEJL.
[111] http://www.azzam.com. June 5, 2002.

V. Al-Qaeda Fundraising through U.S. Mosques

On January 10, 2003, Mohammed Ali Hasan Al-Moayad and Mohammed Mohsen Yahya Zayed were arrested in Frankfurt, Germany by Germany's Bundeskriminalamt at the request of the Department of Justice and the Federal Bureau of Investigation after a year-long investigation and undercover operation by the FBI's Joint Terrorism Task Force.[112] The arrests were based on complaints made by authorities in the Justice Department and FBI, which were unsealed and released to the public on March 4, 2003.[113]

Defendants Al-Moayad and Zayed, both Yemeni nationals, are charged with knowingly and intentionally conspiring to provide material support and resources for Al-Qaeda and Hamas, both foreign terrorist organizations.[114]

Al-Moayad was born and lived in Sanaa, Yemen, as did Zayed. Al-Moayad was an official within the *Islah* political party, and Imam of the al-Ihsan mosque in Sanaa.[115] In December 2001, an FBI informant who was a Yemeni national, informed the FBI that Al-Moayad was involved in supplying money, arms and recruits to various extremists Muslim groups and causes in Afghanistan, Chechnya and Kashmir.[116] This informant had known Al-Moayad for six years and regularly prayed at his mosque.[117]

Documents found in Afghanistan entitled "Mujahideen Information Forms" contain background information on individuals entering a terrorist training camp. One form dated September 15, 2000 for Saled Ahmed Almardarmi has "Sheikh Mohammed al-Moayad" listed as the person who referred Almardarmi to the camp.[118]

In May 2002, at the FBI's direction, the informant advised Al-Moayad that he knew an individual, who was actually a second undercover informant, in the United States who was interested in donating $2 million to terrorist activities, but wanted to ensure that his money would go to the right people. Al-Moayad told this second undercover agent in January 2003 that he had met with Osama bin Laden and that bin Laden considered Al-Moayad was his "sheikh" (spiritual leader).[119]

At a meeting in the May-June 2002 period, Al-Moayad told the FBI informant that he had met with Osama bin Laden twice and had personally brought bin Laden money, arms and

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[112] Department of Justice, Press Release: "Yemeni Citizens Arrested For Conspiring to Provide Support to Al Qaeda, Hamas, and Other Terrorist Groups." March 4, 2003.

[113] Department of Justice, Press Release: "Yemeni Citizens Arrested For Conspiring to Provide Support to Al Qaeda, Hamas, and Other Terrorist Groups." March 4, 2003.

[114] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p.1-2, and United States District Court, Eastern District of New York. *United States of America v. Mohammed Mohsen Yahya Zayed.* Affidavit in Support of Arrest Warrant, p.1-2.

[115] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p.6

[116] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p.16

[117] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p.6

[118] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 35

[119] United States District Court, Eastern District of New York. *United States of America v. Mohammed Mohsen Yahya Zayed.* Affidavit in Support of Arrest Warrant, p.5

recruits.[120] Moayad later revealed that he had provided bin Laden with $20 million.[121] Moayad also told the informant that he had already provided $3.5 million to the al-Aqsa Society in Palestine, which provides support for Hamas.

Al-Moayad further identified five associates of his in New York who were sending him money from the United States. Al-Moayad provided the informant with phone numbers for these men.[122]

Al-Moayad told the informant that the money was collected at the Al-Farouq mosque in Brooklyn. Al-Farouq was the headquarters for the Al-Khifa Refugee Center in Brooklyn, NY, the predecessor to Al-Qaeda. Al-Farouq mosque was a frequent host to lectures by Al-Qaeda founder Abdullah Azzam, and spiritual leader Sheikh Omar Abdel Rahman.

According to the indictment, in December 1999, Sheikh AS visited Brooklyn, where he was hosted by one of Al-Moayad's associates. On December 29, in preparation for a fundraising session at the Al-Farouq mosque, the associate advised Sheikh AS to say that he was raising money for 20 families that needed sponsorship, which would generate approximately $27,000. On December 30, a telephone conversation between two of Al-Moayad's associates revealed that Sheikh AS was at the Al-Farouq mosque the night of December 29. On December 31, the Sheikh informed Al-Moayad's associate that the amount of money he had collected was around "10." [123]

In July 2002, the informant met with one of the five individuals in Brooklyn involved in fundraising for Al-Moayad. This individual told the informant that he had transferred money to Moayad before September 11, 2001, but said he was currently unwilling to send larger amounts (i.e. greater than $1,000) because he feared Yemenis were being monitored by government authorities.[124]

In November 2002, the informant met with the same individual in Brooklyn from July 2002, who described for the informant methods of transferring money without detection by the government. One method was converting the money into checks in amounts less than $10,000 and then sending them with in person with a Yemeni traveler.[125]

The informant also met with a second associate of Al-Moayad in Brooklyn in November. That man identified a Yemeni Sheikh ("Sheikh AS"), a member of Al-Moayad's *Islah* political party. This Sheikh was a supporter of *jihad* and Osama bin Laden who had previously traveled to the US on fundraising missions.[126]

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[120] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 18.
[121] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 27
[122] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 18.
[123] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 34
[124] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 21
[125] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 30
[126] United States District Court, Eastern District of New York. *United States of America v. Mohammed Ali Hasan Al-Moayad.* Affidavit in Support of Arrest Warrant. p. 31

VI. Coupon Schemes & Terrorism

On February 26, 2003, Federal Agents arrested sixteen individuals in five states[127] accused of being part of one of the largest mail fraud scams to date, generating over $4.5 million between 2000 and last year.[128] Some of that money was sent to Jordan and the West Bank, according to David Mitchell, special agent in charge of the Milwaukee FBI.[129] The investigation began 19 months ago when authorities were tipped off by a Milwaukee store-owner who said he was approached to take part in the scheme.[130] The scheme itself involved three main components: first, recruiting businesses to pose as legitimate coupon acceptors; second, obtaining coupons for bulk mailings to clearinghouses; and third, redeeming checks, cashing them, and wiring them to the West Bank and Jordan.

In order to recruit businesses to participate in the scheme, leaders would approach store owners with an opportunity to earn substantial sums of money for doing nothing more than giving their reimbursement checks to a third party in exchange for a kickback.[131] Participants in the scheme would pose as legitimate coupon accepting businesses that would receive checks for products that they never sold.[132] Upon receiving the checks, a portion would be sent to a third party while they would keep a cut for themselves.[133]

In New York and Florida, hundreds of thousands of coupon inserts were obtained from newspapers and sent to cutters who clipped the specific coupons and sent them to a clearinghouse run by International Data and located in El Paso, Texas, in the name of the recruited businesses.[134] The clearinghouse would redeem the value of the coupons from the manufacturers and checks would be issued to the businesses, some of which were fronts that existed only to further the scheme.[135] In order to perpetuate the scheme, Robert W. MacDonald, an executive at International Data, in Memphis[136], received kickbacks for accepting falsified questionnaires filled out by the scheme's leader Abdel Rahim Jebara, of Miami. MacDonald would take these questionnaires and accept them as valid even though no purchases were made of the products.[137]

Once the checks were cut to the companies, they were collected by individuals including Jebara's son, Medre A. Medre, who would give the store-owners their cut and then cash the checks in Yonkers, NY.[138] After the checks were cashed, the money was sent to Medre's

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[127] "FBI Dismantles Fraud and Money Laundering Ring Exceeding $4 Million in Five States," FBI National Press Office, February 26, 2003.
[128] "Homes, Stores Raided in National Coupon Scheme," Associated Press Newswires, February 27, 2003.
[129] "Fifteen Indicted in Coupon Redemption Fraud," Associated Press State & Local Wire, March 4, 2003.
[130] "16 Arrested in $4.5 Million Coupon Fraud," Milwaukee Journal Sentinel, February 26, 2003.
[131] "16 Arrested in $4.5 Million Coupon Fraud," Milwaukee Journal Sentinel, February 26, 2003.
[132] "16 Arrested in $4.5 Million Coupon Fraud," Milwaukee Journal Sentinel, February 26, 2003.
[133] "FBI: 4 Yonkers (NY) Men Part of Ring; Money Sent to Middle East," New York Journal News, February 27, 2003.
[134] "16 Arrested in $4.5 Million Coupon Fraud," Milwaukee Journal Sentinel, February 26, 2003.
[135] "16 Arrested in $4.5 Million Coupon Fraud," Milwaukee Journal Sentinel, February 26, 2003.
[136] "FBI Nabs Local Man in Coupon Fraud Case," The Commercial Appeal (Memphis, TN), February 28, 2003.
[137] "Coupon Fraud Cast Could Grow," The Commercial Appeal (Memphis, TN), March 1 2003.
[138] "FBI: 4 Yonkers (NY) Men Part of Ring; Money Sent to Middle East," New York Journal News, February 27, 2003.

parents, Shahira Hamideh Jebara and Abdel Rahim Jebara, in Miami.[139] Jebara in turn wired the money to Ramallah where he claimed to have a million dollar house.[140]

In all, the scheme involved over 350 stores in 15 states including Alabama, Connecticut, Florida, Illinois, Louisiana, Massachusetts, Mississippi, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas, Rhode Island, and Wisconsin.[141] On March 4, 2003, 15 people were indicted by a federal grand jury[142] with offenses including: Mail Fraud, Wire Fraud, Money Laundering, Interstate Transportation of Stolen Property; and Receiving Stolen Property that Crossed State Lines.[143] Currently, the FBI is still investigating the overseas financial transactions and other aspects of the scheme.[144]

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[139] "FBI: 4 Yonkers (NY) Men Part of Ring; Money Sent to Middle East," New York Journal News, February 27, 2003.
[140] "16 Arrested in $4.5 Million Coupon Fraud," Milwaukee Journal Sentinel, February 26, 2003.
[141] "FBI Dismantles Fraud and Money Laundering Ring Exceeding $4 Million in Five States," FBI National Press Office, February 26, 2003.
[142] "Fifteen Indicted in Coupon Redemption Fraud," Associated Press State & Local Wire, March 4, 2003.
[143] "FBI Dismantles Fraud and Money Laundering Ring Exceeding $4 Million in Five States," FBI National Press Office, February 26, 2003.
[144] "FBI Dismantles Fraud and Money Laundering Ring Exceeding $4 Million in Five States," FBI National Press Office, February 26, 2003.

VII. Cigarette Smuggling & Hizballah

Lebanese Hizballah finds strong support within the United States and Canada from individuals who are willing to supply them with technologically-advanced equipment that they could not otherwise procure. A cigarette smuggling investigation in Charlotte, North Carolina led investigators to a Hizballah cell that was involved in a scheme to finance terrorists with the money earned through illegal cigarette sales.[145] The investigation also led law enforcement to Canada, where funds were being sent from Charlotte in order to purchase supplies for Hizballah operations in Lebanon.[146]

On July 22, 2000, law enforcement officials arrested 18 individuals in connection with cigarette smuggling, money laundering and immigration violations;[147] all together, 25 individuals have been charged in this case.[148] In a superseding indictment filed in the United States District Court for the Eastern District of North Carolina on March 28, 2001, four individuals were charged with providing "material support or resources to a foreign terrorist organization" in violation of 18 U.S.C. § 2339B. Specifically the individuals were charged with providing "currency, financial services, training, false documentation and identification, communications equipment, explosives, and other physical assets to Hizballah, in order to facilitate its violent attacks."[149] According to the indictment, the members of the cell planned to acquire such items as night vision devices, global positioning systems, mine and metal detection equipment, stun guns, nitrogen cutters, laser range finders, camera equipment, advanced aircraft analysis and design software, mining, drilling, and blasting equipment, and military style lensatic compasses.[150]

The money-laundering scheme outlined by the Government was simple: the defendants would buy large amounts of cigarettes in the State of North Carolina where the price of cigarettes was extremely low. Then they would transport these cigarettes to Michigan where the price of cigarettes was significantly higher. The money designated for Hizballah was then sent to the cell members in Canada, who used the funds to purchase above-mentioned items or send money to Hizballah in Lebanon.[151] By the time of their arrests, the smugglers had earned close to $8 million. Although the exact sum is not known, it is estimated that more than $100,000 was funneled to Hizballah.[152]

In addition to raising funds from the cigarette sales, these individuals also engaged in credit card fraud to facilitate their purchases. Five individuals were charged with obtaining false

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[145] October 9, 2002. Senate Finance Committee Hearing. Testimony of Michael Chertoff, US Justice Department.
[146] United States District Court Western District of North Carolina. "Affidavit in Support of Warrants for Arrest, Searches, and Seizure." Page 35-36.
[147] July 22, 2000. The New York Times. 18 Are Accused of Plotting To Help Islamic Militants .
[148] US Department of Justice United States Attorney Western District of North Carolina. News Release. "Mohamad Hammoud Sentenced to 155 Years on Conviction of Providing Material Support of Foreign Terrorist Organization Hizballah." February 28, 2003.
[149] United States v. Mohamad Youssef Hammoud et al., No. 00 CR 147 (W.D. N.C. filed July 20, 2000, amended March 28, 2001) Superseding Bill of Indictment, Page 41.
[150] United States v. Hammoud, W.D. N.C., No. 00CR147, supra. at n. 4, Superseding Bill of Indictment (filed March 28, 2001), Page 42-43.
[151] United States v. Mohamad Youssef Hammoud et al., No. 00 CR 147 (W.D. N.C. filed July 20, 2000, amended March 28, 2001) Superseding Bill of Indictment, Page 41.
[152] March 10, 2003. US News and World Report. "Homegrown terrorists How a Hezbollah cell made millions in sleepy Charlotte, N.C."

drivers licenses, which were used to submit fraudulent credit card applications.[153] One individual used various aliases to obtain additional fraudulent credit cards. Several individuals attempted to defraud US banks and to obtain "monies or funds owned by or under the custody and control" of the banks.[154]

On February 28, 2002, Mohamad Hammoud received a sentence for 155 years in prison. According to the US Attorney press release, ten individual defendants "have been convicted of conspiring under the RICO statues to engage in a series of criminal offenses and sending some of the illegal proceeds to Hizballah. Six people were indicted for providing material support and resources to a designated foreign terrorist organization, and of the six, one entered a guilty plea and the other, Mohamad Hammoud, was the first conviction in the country at trial under the statute". Four defendants charged with material support remain fugitives.[155]

[153] United States v. Hammoud, W.D. N.C., No. 00CR147, supra. at n. 4, Superseding Bill of Indictment (filed March 28, 2001), Page 42-43.
[154] United States v. Hammoud, W.D. N.C., No. 00CR147, supra. at n. 4, Superseding Bill of Indictment (filed March 28, 2001), Page 31 and 32.
[155] US Department of Justice United States Attorney Western District of North Carolina. News Release. "Mohamad Hammoud Sentenced to 155 Years on Conviction of Providing Material Support of Foreign Terrorist Organization Hizballah." February 28, 2003.

Conclusion

The reporting requirements of Title III of the USA Patriot Act -- The International Money Laundering Abatement and Antiterrorist Financing Act of 2001 -- are a major first step toward closing down terrorists' financing opportunities. Congress has worked hard to shut down terrorists' ability to finance their operations using legitimate and illegal means, without creating an impossible burden for financial institutions to conduct their business. Similarly, the new Treasury Department Executive Office for Terrorist Financing and Financial Crimes to be headed by Mr. Juan Zarate, Deputy Assistant Secretary for Terrorist Financing and Financial Crimes, has been created to assist institutions by its development and implementation of strategies to combat terrorist financing domestically and internationally. [156]

However, while Title III has begun to close one major conduit – the use of financial institutions to launder or hide money, many argue that there is room for improvement, primarily in the area of enforcement of the new laws and regulations.

First, penalties meted out for institutions' violations of the Patriot Act's rules must be applied equally to US institutions as they are to foreign ones.[157] Banks and other financial institutions must understand that punishment in the form of fines will be exacted at a similar rate, depending on the violation, regardless of whether the institution is a U.S. company or a foreign one.[158] The penalty for the failure to report suspicious activities must be greater than the profit the institution stands to derive from the transaction.

Second, "back door" opportunities to raise and launder money must be closed and bolted. [159] The Treasury Department is grappling with the enormous task of writing rules to govern other lucrative possibilities for terrorists to raise cash. These rules would apply to pawnshops; dealers of jewels and other precious metals; dealers of large tickets cars, boats, and airplanes; and individuals dealing in real estate, including agents, title companies and lawyers.[160] Similarly, the Treasury Department is looking at ways to regulate the insurance industry where the buying, selling and transfer of life insurance policies has become another means of laundering funds.[161]

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[156] US Treasury Press Release JS-77, March 3, 2003, "U.S. Treasury Department Announces New Executive Office for Terrorist Financing and Financial Crimes," http://www.ustreas.gov/press/releases/js77.htm

[157] Jamie Dettmer, "Money Laundering: "Must U.S. Banks Be Kept in Check?," Insight Magazine, March 17, 2003, *http://www.insightmag.com/main.cfm?include=detail&storyid=370712*

[158] Jamie Dettmer, "Money Laundering: "Must U.S. Banks Be Kept in Check?," Insight Magazine, March 17, 2003, *http://www.insightmag.com/main.cfm?include=detail&storyid=370712*.

[159] "'The Patriot Act is doing a good job in financial institutions," said John Zdanowicz, a money-laundering expert at Florida International University in Miami. "It is closing down the front door of money laundering and it is leaving the back door totally wide open.... It's going to stay wide open.'" Cory Reiss, "Feds Write Rules on Laundering," Sarasota Herald-Tribune, March 2, 2003.

[160] See, e.g., US Treasury Press Release JS-43, February 19, 2003, "Treasury Department Issues Additional USA Patriot Act Regulations," http://www.ustreas.gov/press/releases/js43.htm. See also Department of the Treasury 31 CFR Part 103 RINs 1506-AA28 - and 1506-AA41, February 25, 2003, "Financial Crimes Enforcement Network - Anti-Money Laundering Programs for Businesses Engaged in Vehicle Sales."

[161] US Treasury Press Release PO-3635, November 20, 2003, Testimony of Jimmy Gurule Under Secretary for Enforcement U.S. Department of the Treasury Before the U.S. Senate Judiciary Committee. November 20, 2002, http://www.ustreas.gov/press/releases/po3635.htm

However, an insufficient number of trained staff or the lack of up-to-date technology necessary for the monitoring of compliance will render the rules or regulations meaningless, doomed to failure from the start.[162]

Third, the sprouting of creative new methods of laundering cash for funneling to terrorist enterprises must be closely monitored so that industries can react quickly when necessary.

A review of the cases that have been successfully concluded can assist specialists in determining what information they should have been able to get more quickly.

[162] For example, businesses are already required to file a form with the Internal Revenue Service if individuals pay with more than $10,000 in cash. Yet experts have stated that the IRS often does not review these documents. Saddling an agency with more forms to review without providing funds for sufficient manpower and training will prevent adequate enforcement. Cory Reiss, "Feds Write Rules on Laundering," Sarasota Herald-Tribune, March 2, 2003.

Testimony of

Matthew Epstein

with Evan Kohlmann

Before the

House Committee on Financial Services Subcommittee on Oversight and Investigations

"Progress Since 9/11: The Effectiveness of U.S. Anti-Terrorist Financing Efforts"

Arabian Gulf Financial Sponsorship of Al-Qaida via U.S.-Based Banks, Corporations and Charities

March 11, 2003

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INTRODUCTION

The roots of the modern Al-Qaida financial network can be directly traced to lessons learned during the early days of the Soviet-Afghan jihad. As the 1980s drew to a close, thousands of idealistic Islamic fundamentalist volunteers arrived in Central Asia, often with no local guide or requisite accommodations. At the time, several wealthy Arabian Gulf charitable organizations, under the guise of aiding Afghan and Pakistani refugees, stepped forward to help channel the jihadi recruits where they were most needed. These wealthy NGOs, sponsored by a number of prominent Gulf businessmen, provided weapons, guesthouses, and travel papers to needy members of the quickly-coalescing Al-Qaida movement. Medical ambulances belonging to the Saudi Red Crescent and other fundamentalist-run relief groups were even diverted to bring Arab fighters back and forth from combat operations.[1] By clothing their militant activity with charitable ideals, Arab-Afghan leaders discovered that they were able to slip below the radar of many international intelligence agencies. Likewise, a well-informed Saudi figure boasted to the Washington Post, "No one can control the flow of money from Saudi Arabia… It is not one person—it is a thousand. We are here. Money comes to us from inside Saudi Arabia. We have private talks with businessmen. Sometimes directly, sometimes indirectly. But it comes."[2]

The efficiency and success of the Afghan jihad financing model was quite an accomplishment for Usama Bin Laden and his international allies—so much so that operations continued even after the end of the Soviet-Afghan war and the expulsion of Bin Laden to the Sudan. In approximately 1993, in conversations with former senior Al-Qaida lieutenant Jamal Ahmed Al-Fadl, Usama Bin Laden identified three Muslim charities as the primary sources of Al-Qaida financial and fundraising activity:[3]

1.) **Muslim World League, "MWL" (*Al-Rabita Al-Alami Al-Islamiyya*)**

2.) **Benevolence International Foundation, "BIF" (*Lajnat Al-Birr Al-Dawaliyya/Lajnat Al-Birr Al-Islamiyya*)**

3.) **Qatar Charitable Society, "QCS" (*Jamaat Qatar Heira*)**

These three organizations served a critical role in the Arab-Afghan terrorist infrastructure by laundering money originating from bank accounts belonging to Bin Laden and his sympathetic patrons in the Arabian Gulf, providing employment and travel documents to Al-Qaida personnel worldwide, and helping "to move funds to areas where Al-Qaeda was carrying out operations."[4] According to a U.S. Justice Department brief on the subject:

> "[Al-Fadl] understood from conversations with Bin Laden and others in al Qaeda that the charities would receive funds that could be withdrawn in cash and a portion of the money used for legitimate relief purposes and another portion diverted for al Qaeda operations. The money

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[1] Muhammad, Basil. *Al-Ansaru l'Arab fi Afghanistan*. The Committee for Islamic Benevolence Publications; ©1991. *Page 187.*

[2] Coll, Steve and Steve LeVine. "Global Network Provides Money, Haven." The Washington Post. August 3, 1993. *Page A1.*

[3] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 25.*

[4] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Pages 28-29.*

> for al Qaeda operations would nevertheless be listed in the charities' books as expenses for building moques or schools or feeding the poor or the needy."[5]

Standing orders were left by Bin Laden to keep all transactions involving the charitable groups in cash only; by this method, these NGOs were manipulated as a secret laundry to make Al-Qaida's financial network virtually invisible. The charities would then create false documentation for the benefit of unwary donors, purportedly showing that the money had actually been spent on orphans or starving refugees. In fact, according to some former employees of these organizations, upwards of 50% of their total funding was secretly diverted directly to Al-Qaida and Usama Bin Laden.[5]

THE MUSLIM WORLD LEAGUE (MWL)

The multi-million dollar Muslim World League (MWL), founded in 1962 to "promote Islamic unity," is one of the largest of the Saudi Islamic evangelical charities.[7] On its current website, MWL lists its main objectives as "to disseminate Islamic Dawah and expound the teachings of Islam. To defend Islamic causes in a manner that safeguards the interests and aspirations of Muslims, solves their problems, refutes false allegations against Islam, and repels inimical trends and dogma which the enemies of Islam seek to exploit in order to destroy the unity of Muslims and to sow seeds of doubt in our Muslim brethren."[8] In 1997, Prince Majid bin Abdel Aziz, emir of the Mecca province, attended a meeting of the MWL Constituent Council in Saudi Arabia and delivered a speech on behalf of King Fahd. During his lecture, he called MWL "an outstanding Muslim body" that "has devoted its concern to Muslim affairs, and… the spreading of the Islamic call in accordance with the Islamic rite."[9]

As part of this mission over the past two decades, MWL has also secretly provided critical financial and organizational assistance to Islamic militants loyal to Al-Qaida and Usama Bin Laden. Bin Laden's original jihad mentor, Shaykh Abdallah Yousif Azzam, was first sponsored by the Muslim World League to open and head a branch office in Peshawar, Pakistan, in order to aid arriving Arab-Afghan volunteer fighters starting in the early 1980s. The Peshawar office was financed by Usama Bin Laden, and later was subsidized by large donations from the Kingdom of Saudi Arabia.[10] Simultaneously, the Egyptian MWL branch office served as the

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[5] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Pages 28-29.*

[6] Dugger, Celia W. "Anti-U.S. Plot in India Is Foiled; Militant Islamist Intended to Bomb 2 Consulates, Police Say." The New York Times. January 21, 1999. *Page 4.*

[7] "Saudi Arabian Information Resources: Muslim World League." http://www.saudinf.com/main/k312.htm. March 1, 2003.

[8] "About the Muslim World League." http://www.arab.net/mwl/about.htm

[9] "AT THE OPENING OF THE MUSLIM WORLD LEAGUE MEETING: THE CUSTODIAN OF THE TWO HOLY PLACES CALLS FOR ISLAMIC SOLIDARITY TO OVERCOME OBSTACLES." *Ain al-Yaqeen.* December 15, 1997. http://www.ain-al-yaqeen.com/issues/19971215/feat1en.htm.

[10] Muhammad, Basil. *Al-Ansaru l'Arab fi Afghanistan.* The Committee for Islamic Benevolence Publications; ©1991. *Page 193.*

"third route to the Al-Ansar House in Jedda." The Al-Ansar House was one of Bin Laden's "guest houses" used to funnel recruits to terrorist training camps.[11]

The Peshawar, Pakistan MWL branch office was taken over for a time by Wael Hamza Jalaidan (a.k.a. Abu Al-Hasan Al-Madani), an old friend of Usama Bin Laden and Abdallah Azzam, and one of the original founders of Al-Qaida.[12] In a 1999 interview with Qatar-based Al-Jazeera television, Bin Laden discussed the assassination of Abdallah Azzam ten years earlier and the founding of Al-Qaida. He recalled, "We were all in one boat, as is known to you, including our brother, Wa'el Julaidan."[13] Jalaidan also served as the veteran director of the Saudi Red Crescent in Pakistan during the critical years of the Soviet-Afghan jihad.[14]

In February 2000, Jalaidan was appointed to the Board of Trustees of the Rabita Trust (another financial arm of MWL in Pakistan) and served as its Director General.[15] Soon thereafter, U.S. officials sent a confidential memorandum to UN police forces in southeastern Europe titled "Secret: US office only-Release to UNMIK [the U.N. administration in Kosovo]." The document named MWL representative Wael Jalaidan as an associate of Usama Bin Laden and stated that Jalaidan had directly assisted Bin Laden to "move money and men to and from the Balkans."[16] Finally, in the wake of September 11, the MWL's Rabita Trust itself was officially designated by the U.S. government as an organization that provided illegal logistical and financial support to Al-Qaida.[17]

U.S. authorities have also alleged personal contacts between Jalaidan and senior military lieutenants of Bin Laden, including Dr. Ayman al-Zawahiri and now captured terrorist mastermind Abu Zubaydah. Under interrogation by U.S. authorities, the latter claimed that he accompanied Jalaidan from Pakistan to Kandahar, Afghanistan during the summer of 2000. Moreover, according to Abu Zubaydah, upon his arrival in Kandahar, Jalaidan met personally with Usama bin Laden and former Al-Qaida military chief Mohammed Atef (a.k.a. Abu Hafs Al-Masri). As a result, on September 6, 2002, the U.S. and Saudi governments announced an unprecedented joint action to freeze Jalaidan's assets and to specially designate him as a supporter of international terrorism.[18]

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[11] Sharaf-ad-din, Nabil. "Usama BinLaden - A Millionair[sic] Finances Extremism in Egypt and Saudi Arabia." *Rose Al-Yusif*. No. 3388. May 17, 1993.

[12] Sharaf-ad-din, Nabil. "Usama BinLaden - A Millionair[sic] Finances Extremism in Egypt and Saudi Arabia." *Rose Al-Yusif*. No. 3388. May 17, 1993. See also: Muhammad, Basil. *Al-Ansaru l'Arab fi Afghanistan*. The Committee for Islamic Benevolence Publications; ©1991. *Page 26*.

[13] Office of Public Affairs, United States Treasury Department. "Treasury Department Statement on the Designation of Wa'el Hamza Julidan." September 6, 2002. Document #PO-3397.

[14] Muhammad, Basil. *Al-Ansaru l'Arab fi Afghanistan*. The Committee for Islamic Benevolence Publications; ©1991. *Page 187*.

[15] Office of Public Affairs, United States Treasury Department. "Treasury Department Statement on the Designation of Wa'el Hamza Julidan." September 6, 2002. Document #PO-3397.

[16] Cited in news report by British Broadcasting Company (BBC). April 3, 2000.

[17] Office of Public Affairs, United States Treasury Department. "Treasury Department Statement on the Designation of Wa'el Hamza Julidan." September 6, 2002. Document #PO-3397.

[18] Office of Public Affairs, United States Treasury Department. "Treasury Department Statement on the Designation of Wa'el Hamza Julidan." September 6, 2002. Document #PO-3397.

The International Islamic Relief Organization (IIRO)

The IIRO (which has many branches the world over) was established in 1978 and is headquartered in Jeddah, Saudi Arabia.[19] IIRO serves as a major financial sub-branch of the Muslim World League and reportedly receives 70% of its charitable funding directly from the Saudi government.[20] According to Dr. Ahmed Mohammed Ali, a past Secretary General of the MWL, the League provides "humanitarian assistance" through the arms of IIRO.[21]

However, the supposedly "humanitarian" facade of IIRO hides a covert agenda of the group. Even since the early days of the Soviet-Afghan jihad, IIRO enabled Muslim World League to provide Arab-Afghan militants with a covert international military and financial infrastructure. U.S. counterterrorism investigators have discovered a letter under the MWL/IIRO letterhead among numerous Al-Qaida documents recovered in Bosnia-Herzegovina. The letter, dating from the late 1980s, summarized a meeting held between Al-Qaida leaders and representatives of Muslim charitable organizations in which the attendees ultimately agreed to launch "attacks" from MWL offices in Pakistan.[22]

Not surprisingly, one of the most influential members of IIRO's board of directors is Tariq Binladin, a close family relation of Usama Bin Laden.[23] Western intelligence sources have traced IIRO money transfers to bank accounts in London, England and Amman, Jordan; which is then channeled through front groups to Palestinian Hamas backed organizations in Gaza and the West Bank.[24] Indian intelligence also has reported that IIRO offices in Pakistan and Afghanistan maintain a training camp in Kunduz, Afghanistan for combatants in Bosnia, Chechnya, and Kashmir.[25] Fayez Ahmed Alshehri, one of the September 11 airline hijackers, told his father he was going to go work for the IIRO and never saw his family again.[26] Even Mohammed Al-Zawahiri, leader of the Egyptian Islamic Jihad's military wing and the brother of Dr. Ayman Al-Zawahiri (Bin Laden's personal physician and top advisor), worked and traveled around the world on behalf of IIRO.[27] Following the arrest of Mohammed Jamal Khalifa in California in 1994, the State Department issued affidavits attesting to the fact that the IIRO—whose chapter in the Philippines Khalifa had headed-- was a terrorist group.

As a result of the overwhelming evidence assembled against IIRO, the Canadian government (among others) has classified it as "secretly fund[ing] terrorism," officially branding

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[19] "IIRO – Welcome." http://www.arab.net/iiro.
[20] "Reasons for Order." The Minister of Citizenship and Immigration and Mahmoud Jaballah. Docket: DES-6-99. Federal Court of Canada. November 2, 1999. Page 13.
[21] Ahmed, Iftikhar. "Counter anti-Islam propaganda, says MWL sec-general." Moneyclips. May 6, 1995.
[22] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 31.*
[23] Dugger, Celia W. "Anti-U.S. Plot in India Is Foiled; Militant Islamist Intended to Bomb 2 Consulates, Police Say." The New York Times. January 21, 1999. *Page 4.*
[24] Chesnoff, Richard. "IT'S MORE THAN JUST WHO PLANTS THE EXPLOSIVES." New York Daily News. July 31, 1996.
[25] Ba-Isa, Molouk Y. and Saud Al-Towaim. "Another Saudi ' hijacker' turns up in Tunis." Middle East Newsfile. September 18, 2001.
[26] Ba-Isa, Molouk Y. and Saud Al-Towaim. "Another Saudi ' hijacker' turns up in Tunis." Middle East Newsfile. September 18, 2001.
[27] "Official sources deny reports on UAE's extradition of Islamist." Al-Hayat. June 7, 2000.

it a terrorist charity.[28] According to Canadian court documents, Mahmoud Jaballah, a suspected Egyptian Al-Jihad militant jailed in Canada and accused of having contact with Al-Qaida operatives, spent three years working for the International Islamic Relief Organization in Pakistan. The Canadian Security and Intelligence Service CSIS "believes that Jaballah continues to actively support [Al-Jihad's] terrorist agenda." As a result of their investigation, CSIS concluded that "the degree of Jaballah's dedication to the cause is such that Jaballah would resort to violence and would direct others to resort to violence if he was ordered to do so by leaders such as Osama Bin Laden or Dr. Ayman Al-Zawaheri."[29] Among others, Jaballah was suspected of cooperating with senior Canadian Al-Qaida lieutenant Ahmad Saeed Khadr (a.k.a. Abdel Rahman Al-Kanadi), considered to be a highly influential figure in the international terrorist financing network.[30]

During Jaballah's immigration trial, Mr. Arafat El-Asahi, the director of IIRO in Canada and a full-time employee of the Muslim World League, was called to testify on Jaballah's behalf. The director admitted that Jaballah had "worked as a Principle of one of our organizations in Pakistan" and that he had been recommended by IIRO's administrators in Pakistan as having "excellent character and good behaviour."[31] El-Asahi also offered the following sworn testimony:

> Q. "During those eight years that you have been with the IIRO here in Canada, have you ever heard anything to the effect that the Canadian government has any concern whatsoever with respect to your office?"
>
> A. "Let me tell you one thing. The Muslim World League, which is the mother of IIRO, is a fully government funded organization. In other words, I work for the Government of Saudi Arabia. I am an employee of that government. Second, the IIRO is the relief branch of that organization which means that we are controlled in all our activities and plans by the Government of Saudi Arabia. Keep that in mind, please… I am paid by my organization which is funded by the [Saudi] government. Let me tell you one little thing. Whenever the Saudi Embassy in Ottawa required anything, to ask about any Muslim project all over Canada, they come to us. They ask us about the people who are doing this project. Whatever we say is acceptable, fully acceptable, by the Saudi Embassy and by the government of Saudi Arabia.… The [IIRO] office, like any other office in the world, here or in the Muslim World League, has to abide by the policy of the Government of Saudi Arabia. If anybody deviates from that, he would be fired; he would not work at all with IIRO or with the Muslim World League."[32]

In various war-torn parts of the Muslim world, from Bosnia to the Philippines, IIRO was used by Arab-Afghan mujahideen as a major conduit for smuggling money, men, and weapons to and from the combat zone. According to Dr. Farid Qurashi, IIRO's former "general supervisor," "IIRO was the first relief organization to enter Bosnia-Herzegovina and the Balkan region. From

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[28] Evidence introduced by the Canadian government in the trial of Mahmoud Es-sayy Jaballah

[29] "Respondent's (Moving Party) Motion Record." The Minister of Citizenship and Immigration and Mahmoud Jaballah. Docket: DES-6-99. June 2, 1999. *Pages 61-62.*

[30] "Respondent's (Moving Party) Motion Record." The Minister of Citizenship and Immigration and Mahmoud Jaballah. Docket: DES-6-99. June 2, 1999. *Page 10.*

[31] "Reasons for Order." The Minister of Citizenship and Immigration and Mahmoud Jaballah. Docket: DES-6-99. Federal Court of Canada. November 2, 1999. Page 85.

[32] "Reasons for Order." The Minister of Citizenship and Immigration and Mahmoud Jaballah. Docket: DES-6-99. Federal Court of Canada. November 2, 1999. Pages 81-88.

the very beginning of the Bosnia war, we were there to help."[33] But IIRO had a much larger agenda in the Balkans than Dr. Qurashi was willing to betray. According to Serbian sources, IIRO in Bosnia (a.k.a. "IGASA,") was managed primarily by three men: Abdel Aziz Zaher (a.k.a. Abu Anas), Jamal Al-Jibouri (a.k.a. Abu Mahmoud Al-Iraqi), and Djamel Lamrani (a.k.a. Abu Musab Al-Djazairi). Zaher was expelled from his residence in Belgrade at the beginning of 1993 after being tied not only to IIRO, but also to two other international Muslim organizations suspected of aiding armed fundamentalist militant groups: Al-Rabita Al-Alami Al-Islamiyya (the Muslim World League) and the Sanabil Relief Agency.[34] During the following Serb official inquiry into Zaher, investigators reportedly discovered PLO Force 17 terrorist training manuals in the Belgrade offices of Sanabil Relief. In the aftermath of his expulsion from Yugoslavia, Zaher moved his base of operations to Vienna, a city that became a hotbed of European Al-Qaida activity, particularly during the Bosnian war.[35]

Starting in 1992, Zaher's top lieutenant at IIRO, Jamal Al-Jibouri (based in Skopje) was allegedly personally responsible for general oversight of a massive logistics operation to provide Muslim militants in the Balkans with weapons and ammunition.[36] By September 1992, only a few months into the war, Serb troops examining the bodies of dead Arab-Afghan guerillas in Bosnia were discovering humanitarian aid worker identification cards printed for young Saudi Muslim militants by the Peshawar, Pakistan IIRO office. At the time, the IIRO issuing bureau in Peshawar was being run by senior Egyptian Al-Gama'at Al-Islamiyya terrorist leader Abu Talal Al-Qasimy (a.k.a. Talaat Fouad Qassem).[37]

Following the 1998 U.S. Embassy bombings in East Africa, IIRO's chapter in Nairobi was deregistered by the government of Kenya for its alleged connection to the terrorists responsible for the devastating blasts. In the aftermath of the American retaliation for the terror bombings, Indian police arrested a number of suspects in an attempted lightning counterstrike on the US consulates in Madras and Calcutta. This terrorist cell was led by a Bangladeshi national, Sayed Abu Nasir, on orders from, among others, Shaykh Ahmed Al-Gamdin, director of IIRO operations in Asia. After graduating from college in Dhaka, Bangladesh, Abu Nasir was employed by IIRO, which eventually transferred him from Thailand to Lahore, Pakistan in 1994. Abu Nasir was informed by his superiors that approximately 40 to 50 percent of IIRO's charitable funds was being diverted to finance terrorist training camps in Afghanistan and Kashmir. As part of his duties, Abu Nasir was to visit the training camps, assess what funding was needed, and make a formal report back at headquarters. Nasir was eventually instructed by

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[33] "IIRO saves forty thousand Bosnians from starvation." Moneyclips. July 4, 1993.

[34] There is some reason to believe that the Sanabil Relief Agency is a branch of Sanabel al-Kheer, an endowment fund established by IIRO. See: http://www.surf-as.org/regionallinks/factsheets/International%20Islamic%20Relief.doc. January 2001.

[35] Vujicic, D. "Bombs in the Name of the Almighty: Part II." *Vecernje Novosti* (Belgrade). September 27, 2001. *Page 13.*

[36] Vujicic, D. "Bombs in the Name of the Almighty: Part II." *Vecernje Novosti* (Belgrade). September 27, 2001. *Page 13.*

[37] Compass Newswire. November 1, 1995. See also: Emerson, Steven. "An Investigation into the Modus Operandi of Terrorist Networks in the United States: The Structure of Osama Bin Laden, Al-Qaeda, Hamas and other Jihadist Organizations in the United States." Testimony given before the House Subcommittee on National Security, Veterans Affairs and International Relations of the House Committee on Government Reform. October 11, 2001.

Shaykh Al-Gamdin to undergo military training himself at one of the camps, where he met Usama Bin Laden.[38]

In the Philippines, according to the Philippine military's southern command, the IIRO local office in Zamboanga City is the prime coordinating center for the Abu Sayyaf organization, a coalition of secessionist Islamic militants in the southern region of the country. The southern Philippines IIRO office, established in 1992, was under the direct control and guidance of Mohammad Jamal Khalifa, the 37-year-old brother-in-law of Usama Bin Laden. Khalifa, known to be close to Usama, was detained by American law enforcement officials as he attempted to return from San Francisco to the Philippines on December 16, 1994. Travelling with Khalifa on this occasion was Mohamed Loay Bayazid (a.k.a. Abu Rida Al-Suri), one of the founders and key international operatives of Al-Qaida. After searching Khalifa's electronic organizer and personal addressbook, agents found entries for two telephone numbers of intimate associates of Ramzi Yousef, the convicted bombmaker in the February 1993 World Trade Center attack. They also discovered documents on Khalifa "referring to the assassination of bishops and bombings of churches (at a time when evidence gathered in the investigation indicates that...others were planning to kill the Pope during a planned January 1995 visit to the Philippines and after churches had already been bombed in the Philippines in the preceding year)."[39] Four days later, a State Department cable to the American Embassy in Khartoum, Sudan referred to Khalifa as a "known financier of terrorist operations."[40]

Sanabel Al-Kheer ("Seeds of Charity")

Within IIRO itself, a separate branch was established in Saudi Arabia in 1987 (which IIRO "owns or controls") to make investments designed to support IIRO's charitable operations. That branch is known as Sanabel Al-Kheer (a.k.a. Seeds of Charity, Sana-Bell Al-Kheer, Sanabel Al-Khayr, The Charity Bonds Project). The leadership of IIRO aimed to collect 100 million Saudi Riyals annually for 10 years, to create a total base capital investment for Sanabel Al-Kheer of 1 billion Saudi riyals ($267 million). The goal was to generate sufficient profits to cover the costs of IIRO's international operations and make it a self-sufficient entity.[41]

The fiscal oversight of Sanabel and IIRO seems to have been the responsibility of the "number two man" in Jeddah, Ghazi Mahfooz Felemban, IIRO Assistant Secretary-General for Finance and Investment. Felemban is a well known economics professor at King Abdulaziz University and an investment specialist who has worked on key financial programs with the Saudi Arabian Monetary Agency (SAMA), the Islamic Development Bank, Al-Rajhi Investments and Banking Corporation, and the Saudi Cairo Bank.[42]

According to Dr. Ahmad Muhammad Ali, Secretary General of MWL in a 1995 interview:

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[38] Dugger, Celia W. "Anti-U.S. Plot in India Is Foiled; Militant Islamist Intended to Bomb 2 Consulates, Police Say." The New York Times. January 21, 1999. *Page 4.*
[39] Sworn affidavit of FBI Special Agent Robert Walker. United States of America v. Benevolence International Foundation, Inc. April 29, 2002. District of Illinois, Eastern Division. Case number: 02CR0414.
[40] Sworn affidavit of FBI Special Agent Robert Walker. United States of America v. Benevolence International Foundation, Inc. April 29, 2002. District of Illinois, Eastern Division. Case number: 02CR0414.
[41] "Islamic relief organization sets up income-bearing scheme." Arab News. March 8, 1992.
[42] Siddiqi, Mazhar Hasan. "Personality Profile: A born volunteer and friend of the poor." The Saudi Gazette. August 18, 1996.

> "[M]uch of [IIRO and Sanabel's] funding has been made possible by financial assistance from the Saudi government including King Fahd Bin Abdul Aziz, Deputy Prime Minister and Commander of the National Guard Crown Prince Abdullah Bin Abdul Aziz and Chairman of the Board of Trustees of the Saudi Benevolent Society, [and] Second Deputy Prime Minister and Minister of Defense and Aviation Prince Sultan Bin Abdul Aziz."[43]

Between 1992 to 1998, IIRO and Sanabel Al-Kheer held numerous high profile fundraising events together in Saudi Arabia. As Dr. Ali correctly noted, many of the largest donations to the two charities came directly from the Saudi royal family:

- In July 1992, Sanabel Al-Kheer and IIRO sponsored a fundraising drive in Jeddah for the Muslims of Bosnia. The conference was inaugurated by Prince Saud ibn Abdul Mohsen, acting governor of Makkah, and acting chairman of Sanabel Al-Kheer. Over SR19 million was collected in one day. The largest single donors reportedly included Prince Saud ibn Abdul Mohsen and Bakr Bin Laden. Several months later, Sanabel Al-Kheer reported that it had transferred SR12 million collected on July 5 directly to IIRO to underwrite its "charitable operations" in the Balkans.[44]
- In December 1993, IIRO held another yearly fundraising drive to help support embattled Bosnian Muslims. IIRO collected an additional SR15 million, which put the organization on a base capital level of nearly SR82 million. Prince Saud ibn Abdul Mohsen spoke again as an honorary trustee and noted "the continuous support and encouragement of the Custodian of the Two Holy Mosques King Fahd" in promoting IIRO operations.[45]
- In February 1994, IIRO organized another annual Sanabel Al-Kheer fundraising convention in Riyadh. During the traditional opening speech, Prince Salman Bin Abdul Aziz, Governor of Riyadh, told of how he had personally solicited "donations from a number of benevolent Saudi people" for Sanabel and IIRO totalling SR6,979,462.[46] Over SR3.7 million was raised in the Saudi Cultural Festival Palace for IIRO/Sanabel. The royal function was attended by Shaykh Abdulaziz bin Baz (General Mufti of Saudi Arabia).[47] A few months later, IIRO officials stated that in the year 1994, the charity had raised more than SR90 million from wealthy benefactors in Saudi Arabia.
- On February 23, 1995, IIRO held its eighth annual charity festival in Riyadh in conjunction with Sanabel Al-Kheer. Donations totaling SR8 million ($2.13 million) included: SR1 million from Prince Salman bin Abdel Aziz; SR2 million from the Al-Jomaih Co.; SR1 million from Prince Al-Waleed bin Talal bin Abdel Aziz; and, at least SR500,000 from Abdulrahman Al-Jeraisy on behalf of his company.
- On February 5, 1996, the IIRO and Sanabel Al-Kheer annual fundraising drive raised more than SR6 million at the Cultural Palace in Riyadh. Large donations included:

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[43] "Prince Salman Opens Fundraising Campaign for IIRO." Info-Prod Research (Middle East) Ltd. – Middle East News Items. February 28, 1995.
[44] "Islamic Intn'l Relief Organisation receives SR12m for Bosnia fund." The Saudi Gazette. February 11, 1993.
[45] Bashir, Abdul Wahab. "IIRO raises SR15m in-funds." Arab News. December 22, 1993.
[46] "Saudis back fund-raising for Bosnian Muslims." The Saudi Gazette. February 26, 1994.
[47] Hassan, Javid. "Riyadh Governor Prince Salman donates SR1m to IIRO." Arab News. February 23, 1994.

SR1 million from Prince Salman Bin Abdul Aziz; SR1 million from Prince Sattam Bin Abdul Aziz (deputy governor of Riyadh); SR1 million from Abdulaziz Al-Jomaih; and, SR10,000 from Shaykh Abdulaziz Bin Baz.[48]

- In January 1997, Dr. Farid Qurashi organized the tenth annual fundraising drive of IIRO – Sanabel. IIRO collected over SR17 million. Qurashi was quoted as saying that IIRO had successfully raised a grand total of SR2.3 billion (about $615 million) between 1986 and 1995. In addition to that, according to Qurashi, Sanabel Al-Kheer's global investments had returned SR425 million in profits by the start of 1997.[49]
- In December 1998, at the 12th annual Sanabel al-Kheer/IIRO charity drive, IIRO netted over SR6 million, including: SR5 million from Prince Sultan bin Abdelaziz bin Saud (Second Deputy Premier and Saudi Defense Minister); SR1 million from Riyadh Governor Prince Salman; and, SR10,000 from Shaykh Abdulaziz bin Baz.[50]

A Case Study: MWL - IIRO - Sanabel Al-Kheer Operations in the United States

On July 22, 1991, the U.S. branch of IIRO ("The International Relief Organization, IRO") was first officially established at 360 S. Washington St. in Falls Church, Virginia by Dr. Sulaiman bin Ali Al-Ali, wealthy businessman, member of IIRO's Executive Committee, and a member of the Shura (Consultative) Council of the Kingdom of Saudi Arabia.[51] IIRO in America was established to fund "institutions, groups, and individuals whose projects, programs and situations fall in one of [IIRO's] service program areas... Institutions, groups and individuals submit proposals for assistance or cooperation. Proposals are reviewed to determine eligibility and validity. Once approved, [IIRO's] administration decides on the size and amount of help."[52] Even inside the U.S., IIRO received significant funding from official Saudi sources: on January 18, 1996, Sulaiman bin Al-Ali reported to Arab journalists that Prince Bandar ibn Sultan, Saudi Ambassador in Washington, had donated SR500,000 worth of computer equipment directly to the IIRO office in Washington D.C.[53]

According to the deposition of Dr. Al-Ali's former U.S. business partner Soliman Beheiri, Al-Ali came to the United States in the Summer of 1991 to establish IIRO. Beheiri stated that Al-Ali came to the United States with $10 million dollars to invest through IIRO and Sana-Bell, with the goal of generating a sufficient return on investment to support IIRO's

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[48] Awkasho, Rashad. "SR6m raised in three hours at Sanabel Al-Khair drive." Saudi Gazette. February 5, 1996.
[49] "IIRO bags SR17m in one night for Sanabel Al-Khair." The Saudi Gazette. January 23, 1997.
[50] Khan, M. Ghazanfar Ali. "SR6m collected at Sanabel Al-Khair." Arab News. December 24, 1998.
[51] IIRO was originally organized as International Relief Organization in the U.S on July 22, 1991. On February 18, 1992, International Islamic Relief Organization was formed. The two organizations are one-and-the-same, and therefore will be referred to as IIRO herein. Virgina Secretary of State, Corporate Record, International Relief Organization and International Islamic Relief Organization. See also: http://www.saudiembassy.net/gov_profile/shura00.html, November 6, 2002.
[52] IRS 990 form for the "International Relief Organization" for Fiscal Year 1992.
[53] "Bandar donates computers." Moneyclips. January 19, 1996.

mission in the United States.[54] Beheiri further testified how, in November 1991, Sulaiman Al-Ali introduced Biheiri to Dr. Abdulrahim Saati, a university professor of economics in Jeddah. Al-Ali introduced Saati as a "welcoming from Saudi Arabia from the office of the International Islamic Relief Organization to visit his office here to find out how he's progressing in establishing the organization here, and also assisting them in buying the building they have bought in Falls Church."[55]

Sana-Bell, Inc. (the U.S. branch of Sanabel Al-Kheer) was organized as a District of Columbia non-profit company on July 28, 1989.[56] In a civil lawsuit filed with the USDC for the District of Maryland, Sana-Bell described itself as an American non-profit corporation deserving of tax-exempt status and headquartered in Jeddah, Saudi Arabia.[57] The Board of Trustees for Sana-Bell, Inc., as listed on their Articles of Incorporation filed in Washington D.C., includes longtime Saudi MWL executives Dr. Abdulrahim Al Saati, Dr. Farid Yasin Qurashi and Ibrahim Afandi.[58]

Dr. Sulaiman Al-Ali was himself later named as a member of Sana-Bell's Investment Committee and claimed to be the sole corporate executive responsible for executing and managing Sana-Bell investments.[59] In April of 1998, the President of the "SanaBel Committee;" [sic] writing on the letterhead of the Office of the Secretary General of the Muslim World League wrote to Mirza to confirm that Alali "rejoin[ed]" the Sana-Bell Al Kheir Committee and that Al-Ali would be "responsible for Sanabel in U.S.A."[60] In July 1998, Dr. Abdullah Al-Obaid, Secretary General of the Muslim World League and Chairman of IIRO, wrote to Mirza and indicated that Al-Ali was a "member of the Executive Committee" of Sanabell S.A. of IIRO, and that he assisted in the review of its investments. Al-Obaid noted that part of the proceeds of these investments were used to establish Sana-Bell, Inc in the U.S.[61] According to the deposition of Soliman Biheiri, "money transferred from Sana-Bell account to [Sulaiman Al-Ali's] office here was big, and I have a record of that. That can come close to over $1 million."[62]

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[54] Deposition of Soliman Beheiri, Sana-Bell, Inc v. BMI Real Estate Development, October 27, 1999, Beta Reporting, pp. 75-76, 110-111.

[55] Deposition of Soliman S. Biheiri. The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). Case No. 98-CV-4177 (PJM). Filed October 27, 1999. *Pages 91-96; 105.*

[56] District of Columbia Department of Consumer Affairs and Regulatory Affairs, Corporate Record, Sana-Bell, Inc., 7/28/1989. See also, The Sana-Bell, Inc. v. BMI Real Estate Development, Complaint filed by Plaintiff Sana-Bell, Inc., December 23, 1998.

[57] The Sana-Bell, Inc. v. BMI Real Estate Development, Complaint filed by Plaintiff Sana-Bell, Inc., December 23, 1998.

[58] Washington D.C. Secretary of State Corporate Record, Sana-Bell, Inc.

[59] "Defendant's Opposition to Plaintiff's Motion for Summary Judgment ." The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). Case No. 98-CV-4177 (PJM). January 21, 2000. Pages 5 and 10.

[60] Exhibit M to The Sana-Bell, Inc. v. BMI Real Estate Development, Defendant's Opposition to Plaintiff's Motion for Summary Judgment., p.10, January 21, 2000.

[61] Exhibits A-1 & A-2 to The Sana-Bell, Inc. v. BMI Real Estate Development, Defendant's Opposition to Plaintiff's Motion for Summary Judgment., p.10, January 21, 2000.

[62] Deposition of Soliman S. Biheiri. The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). Case No. 98-CV-4177 (PJM). Filed October 27, 1999. *Pages 242-243.*

IIRO's form 1023 discloses that Sulaiman Al-Ali had strong relationships with other Islamic relief organizations, specifically, the Kuwaiti based Lajnat al-Dawa.[63] On January 9, 2003, the Office of Foreign Assets Control of the United States Department of Treasury listed the Kuwaiti Lajnat al-Dawa as a specially designated global terrorist (SDGT), and blocked all of its assets pursuant to the International Emergency Economic Powers Act. Lajant al-Dawa was a critical component of the Al-Qaeda network, delivering both financial and operational support. Indeed, during a videotaped interview from the late 1980's, Al-Qaeda founder Abdullah Azzam mentioned two relief organizations that supported the Arab Mujahideen in Afghanistan. One of those organizations was the Kuwaiti Lajnat al-Dawa. Recently captured 9/11 mastermind Khalid Sheikh Mohammad and his older brother Zahed headed the Lajnat al-Dawa operations in Peshawar, Pakistan.[64]

A search of the Person Locator (P-SRCH) database on Lexis-Nexis indicates that Sulaiman A. Al-Ali's former name is Sulaiman Kabbara. He has two brothers residing in the Northern Virginia area: Bachir and Amal Kabbara.[65] On September 30, 1993, on behalf of himself, Amal, and Sulaiman, Bachir Kabbara incorporated "3 Brothers Of Virginia Paging Inc." using the same business address as IIRO: 360 S. Washington St. in Falls Church, Virginia.[66] On November 1, 1993, Bachir Kabbara also incorporated "NAMA, Inc." using the 360 S. Washington St. address.[67]

Al-Ali's brother Bachir Kabbara had formerly served as the Imam of the radical Islamic Center of Tucson, Arizona from 1990 to 1992.[68] One of Bachir Kabbara's predecessors as leader of the Tucson center was none other than MWL official and senior Bin Laden advisor Wael Jalaidan himself.[69] Between 1985 and 1993 (including times at which Kabbara was in charge), the Islamic Center of Tucson served as the de-facto headquarters of Al-Qaida in the United States. The mosque was integral in disseminating *Al-Jihad*, the Arabic-language publication of the Peshawar, Pakistan-based "Mujahideen Services Office." As a result, the Islamic Center spawned the Al-Kifah Refugee Center, the Arab-Afghan jihad fundraising outlet tied to the 1993 World Trade Center bombing. While he lived in Arizona, Wadih el-Hage, Usama Bin Laden's former personal secretary, was a regular attendee at the Tucson mosque at this time.[70] Phoenix Memo author FBI Agent Kenneth Williams believes that "El-Hage established a Usama Bin Ladin support network in Arizona while he was living there and that this network is still in place."[71] El-Hage has admitted in sworn federal grand jury testimony to overhearing, at meetings at Kabbara's mosque, conversations between other worshippers that particular dissident Muslim leaders "should be killed" as "infidels."[72]

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[63] IIRO Form 1023 filed with the IRS, September 13, 1991.
[64] McDermott, Terry, *The Plots and Designs of Al-Qaeda's Engineer*. Lost Angeles Times. December 22, 2002.
[65] AutotrackXP report on "Sulaiman A. Al-Ali." November 12, 2002.
[66] Virginia Fictitious Business Names Database entry for "3 Brothers Of Virginia Paging Inc." Filing date September 30, 1993.
[67] Virginia Secretary of State Corporate Record for "NAMA, Inc." Filing date November 1, 1993.
[68] State of Arizona Annual Report for "Islamic Center, Tucson." Filed June 5, 1991.
[69] State of Arizona Annual Reports for "Islamic Center, Tucson." Filed May 21, 1984 and February 12, 1985.
[70] United States of America v. Usama bin Laden et al. February 15, 2001. Page 789.
[71] "The FBI's Handling of the Phoenix Electronic Communication and Investigation of Zacarias Moussaoui Prior to September 11, 2001." Eleanor Hill, Staff Director, Joint Congressional Inquiry Staff. September 24, 2002. Page 4.
[72] United States of America v. Usama bin Laden et al. February 15, 2001. Page 790.

According to the IRS 990 forms between 1992 and 1998, using supposedly charitable funds in IIRO and Sana-Bell accounts, Sulaiman Al-Ali made the following disbursements to other Muslim organizations suspected of connections to terrorism:

- $4,212,318 destined for IIRO operations in Bosnia and Somalia – 1992 & 1996. Paradoxically, rather than being distributed directly to the relief zones, this money was apparently re-routed back through the IIRO central offices in Jeddah, Saudi Arabia.[73]
- $36,322 to the Horn of Africa Relief Agency (HARA) – 1992. HARA was used as a front to provide support to various Al-Qaida affiliates, including the Eritrean Islamic Jihad Movement (EIJM).[74] At the time IIRO made its $36,322 donation, HARA donor forms distributed in the U.S., titled "Eritrean Islamic Jihad Movement," advertised: "This pledge will support an orphan or the training of a Mujahid ["holy warrior"] or his family while he is in Jihad." Three payment options were listed: a $3,000 suggested yearly donation to help train a "Mujahid," $700 to "take care of a Mujahid's family," and $420 to support an orphan.[75]
- $23,780 to the Holy Land Foundation (HLF) – 1996 & 1997. On December 4, 2001, the Office of Foreign Asset Control (OFAC) of the United States Department of Treasury designated the Holy Land Foundation (HLF) as a specially designated terrorist (SDT), as a specially designated global terrorist (SDGT), and blocked all of its assets pursuant to the International Emergency Economic Powers Act, 50 U.S.C. § 1701 et seq. (IEEPA), and Executive Orders 13224 and 12947.[76] According to Judge Gladys Kessler, who upheld the OFAC ruling against HLF, "the administrative record contains ample evidence that (1) HLF has had financial connections to Hamas since its creation in 1989; (2) HLF leaders have been actively involved in various meetings with Hamas leaders; (3) HLF funds Hamas-controlled charitable organizations; (4) HLF provides financial support to the orphans and families of Hamas martyrs and prisoners; (5) HLF's Jerusalem office acted on behalf of Hamas; and (6) FBI informants reliably reported that HLF funds Hamas."[77]
- $10,000 to the Islamic African Relief Agency (IARA) – 1992. IARA is a Sudanese based Islamic charity group, headquartered in Khartoum with U.S. branch offices in Columbia, Missouri; Baltimore, Maryland; Norman, Oklahoma; Orlando, Florida; and elsewhere.[78] In December 1999, two federal grants totaling $4.2 million dollars from the U.S. Agency for International Development (USAID) to IARA were cut off when the U.S. State Department determined that they were not in America's "national

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[73] http://www.aidandtrade.com/iat/newyork/current/2001exhibitors-view.asp?cp=226. November 6, 2002.
[74] U.S. v. Usama bin Laden, et al. United States District Court for the Southern District of New York. 116 F. Supp. 2d 489; 2000 U.S. Dist. LEXIS 14507. October 5, 2000, Decided. October 5, 2000, Filed. Testimony from Government Witness CS-1 (Jamal Mohamad Ahmed Al-Fadl), February 6, 2001; Pages 327-328.
[75] "Eritrean Islamic Jihad Movement." Donor pamphlet printed by HARA. P.O. Box 741940, Los Angeles, CA. 90004-8940. Found amongst material taken from the Al-Kifah Refugee Center in Brooklyn, NY.
[76] "Memorandum Opinion." Holy Land Foundation for Relief and Development v. John Ashcroft et al. United States District Court for the District of Columbia. Civil Action No. 02-442 (GK). Filed August 8, 2002. *Page 1.*
[77] "Memorandum Opinion." Holy Land Foundation for Relief and Development v. John Ashcroft et al. United States District Court for the District of Columbia. Civil Action No. 02-442 (GK). Filed August 8, 2002. *Page 19.*
[78] Islamic African Relief Agency, IRS 1023 Form.

security interests."[79] Orlando, Florida resident Ziyad Khaleel was detained by Jordanian authorities on December 29, 1999, on charges of being a "procurement agent" for Usama Bin Laden.[80] Khaleel, who was one of only eight U.S. regional IARA fundraising directors and the former IARA website administrator, is also responsible for the maintenance of a variety of radical Islamic Internet sites, including the official Hamas homepage (http://www.palestine-info.net).[81]

- $17,500 to Taibah International Aid Association – 1995 & 1996. Taibah, with offices located in IIRO's building at 360 S. Washington, claimed to the IRS that it was "a missionary in the United States to promote the Muslim faith" and to aid needy Muslims around the world.[82] However, Taibah International has been under investigation in Bosnia since shortly after September 11, 2001, when the Interior Ministry claimed to have averted a terror attack involving a computer consultant and suspected Al-Qaida member working for Taibah.[83] The Bosnian report further found evidence of "fictitious declarations of affiliation and employment" and of visas for entry into Bosnia for suspected militants. It concluded that "large cash sums were withdrawn by [Taibah] management... which were never accounted for," indicating "a wide scope for possible illegal spending."[84]

In addition to mere charitable donations, Sulaiman Al-Ali also made several major financial investments in the United States on behalf of IIRO and Sana-Bell, Inc. In December 1992, Dr. Al-Ali transferred over $2.1 million in Sana-Bell charitable assets to investment projects controlled by BMI, Inc. (a.k.a. Bait ul-Mal), a company founded in Secaucus, New Jersey by Soliman Beheiri.[85] According to a sworn statement filed by FBI Special Agent Robert Wright, BMI "had receive financing from [Yassin Kadi] and United States designated HAMAS terrorist [Musa abu Marzook]."[86] In October 2001, the U.S. Treasury Department froze the assets of Yassin Kadi and listed him as a Specially Designated Global Terrorist, citing his financial support for Al-Qaeda through a "relief" organization called Muwafaq, or Blessed Relief. Agent Wright had initially investigated BMI as part of an ongoing Hamas fundraising investigation in the United States. According to an Affidavit filed by Wright, Yassin Kadi put up $820,000 for a real estate deal structured to funnel proceeds to Hamas operative Mohammed Salah.[87]

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[79] Miller, Judith. "Some Charities Suspected of Terrorist Role." The New York Times. February 19, 2000.
[80] Lorch, Donatella and Daniel Klaidman. "The Plot Thickens." Newsweek. February 7, 2000.
[81] Internic domain records. (http://www.networksolutions.com/cgi-bin/whois/whois/)
[82] Simpson, Glenn R. "Report Links Charity To an al Qaeda Front." The Wall Street Journal. September 20, 2002. See also: IRS Form 990 for IIRO, 1995.
[83] Simpson, Glenn R. "Report Links Charity To an al Qaeda Front." The Wall Street Journal. September 20, 2002.
[84] Simpson, Glenn R. "Report Links Charity To an al Qaeda Front." The Wall Street Journal. September 20, 2002.
[85] The Sana-Bell, Inc. v. BMI Real Estate Development, Plaintiff's Proposed Findings of Fact and Conclusions of Law., p.1, February 24, 2002. Defendants' Proposed Findings of Fact and Conclusions of Law. The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). February 24, 2000. *Page 9*. See also: Limited Partnership Withdrawal Agreement; BMI Leasing Limited Partnership and Sana-Bell Inc. Dated January 1, 1996. Document submitted as an exhibit attached to "Memorandum in Support of Plaintiff's Motion for Summary Judgment." The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). Case No. 98-CV-4177 (PJM). Filed December 15, 1999. See also: Secretary of State, State of New Jersey, BUM, Inc, March 19, 1986.
[86] Sworn Statement, FBI Special Agent Robert G. Wright, Jr. Chicago, Illinois. March 21, 2000.
[87] AFFIDAVIT of FBI Agent Robert Wright, filed in connection with U.S. v. One 1997 E35 Ford Van, et al, United State District Court for the Northern District of Illinois, Eastern Division, June 9, 1998, p 17.

Moreover, "a note specifying that $820,000 was due and payable on December 31, 1993, [provided] that, 'All payments are to be made to Kadi International Corp., c/o BMI, Inc., One Harmon Plaza, Secaucus, New Jersey.'"[88]

The $2.1 million invested by Sana-Bell in BMI ultimately became the subject of a civil lawsuit after the money disappeared entirely (it remains unaccounted for to this day). During the suit, Soliman Beheiri purportedly confessed that he had mishandled Sana-Bell's investments and was willing to "go to jail" to put this all behind him.[89] Beheiri eventually defaulted in the suit and fled the country when faced with producing a financial accounting.[90] According to Agent Robert Wright's sworn statement, an accountant at BMI later called another FBI agent to discuss his concerns that "funds the accountant was transferring overseas on behalf of [BMI] may have been used to finance the embassy bombings in Africa."[91]

Through IIRO and Sana-Bell, Dr. Sulaiman Al-Ali also invested vast sums into other parallel fraudulent investment schemes tied to suspected terrorist financing. One of these was known as the Global Chemical Corporation (a.k.a. Amana Industrial and Trading), a defunct Illinois for-profit entity in Chicago, Illinois.[92] According to FBI Special Agent Valerie Donahue, since November 1993, IIRO disbursed approximately $1,225,975 to Global Chemical and Amana.[93] IIRO 990 records from 1995 quoted Al-Ali's total investment in Amana/Global Chemical at closer to $2,189,434. According to one Global Chemical administrator, Al-Ali was able to marshal these funds because "he's originally from Saudi Arabia, and he knew a lot of businessmen overseas in the Gulf area, and he… was the potential person to generate that money from different businessmen. And we looked… up to him to really generate that funding for this big project… and he stepped up to the plate and he said, yeah, I know a lot of people that I can generate that money."[94]

In a ten-count federal grand jury indictment returned in October 1996, Global Chemical President Mohammed Mabrook was charged with fraudulently obtaining at least $1,000,000 from various investors.[95] As part of this scheme, Mabrook allegedly "created fictitious documents purporting to reflect customer orders for hundreds of thousands of dollars' worth of Global Chemical products… then solicited investors to provide funds to pay for the manufacture

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[88] AFFIDAVIT of FBI Agent Robert Wright, filed in connection with U.S. v. One 1997 E35 Ford Van, et al, United State District Court for the Northern District of Illinois, Eastern Division, June 9, 1998, p 17.

[89] Gross, Richard A. (counsel for the plaintiff). "Plaintiff's Proposed Findings of Fact and Conclusions of Law." The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). Case No. 98-CV-4177 (PJM). Filed February 24, 2000. *Page 4.*

[90] Confidential source interview with Robert Krebs, November 4, 2002.

[91] March 21, 2000, Sworn Statement of Special Agent Robert Wright obtained through the Freedom of Information Act.

[92] Sworn Affidavit of FBI Special Agent Valerie Donahue. Cook County, Illinois. United States of America v. Mohammed Mabrook. United States District Court Northern District of Illinois, Eastern Division. Case #: 98 CR 271. *Page 1.* See also: Bank records of Global Chemical seized in 1997 FBI raids of Global Chemical.

[93] Sworn Affidavit of FBI Special Agent Valerie Donahue. Cook County, Illinois. United States of America v. Mohammed Mabrook. United States District Court Northern District of Illinois, Eastern Division. Case #: 98 CR 271. *Page 2.*

[94] Direct Examination of Khaled Y. Falah. United States of America v. Mohammed Mabrook. United States District Court Northern District of Illinois, Eastern Division. Case #: 98 CR 271. *Page 593.*

[95] Special October 1996 Grand Jury Indictment. United States of America v. Mohammed Mabrook. United States District Court Northern District of Illinois, Eastern Division. Case #: 98 CR 271. *Page 2.*

of products needed to fill these non-existent purchase orders."[96] FBI Special Agent Valerie Donahue agreed that "the pattern of Global's receipt and disbursement of funds is consistent with the operation of an investment fraud scheme,..."[97] Mabrook drew up fraudulent purchase orders with non-existent clients as documentation for supposed investments.

On January 9, 1997, Global Chemical's Chicago headquarters was raided by FBI Agents as part of a money laundering and fraud investigation. The organizations named in the Search Warrant included NAMA Inc., the corporate entity founded by Al-Ali's brother and business partner Bachir Kabbara at 360 S. Washington St. in Falls Church.[98] Days later, IIRO's Northern Virginia offices run by Sulaiman Al-Ali were raided by FBI Agents as part of the same terrorism, money laundering and fraud investigation. The individuals and organizations named in the Search Warrant included Global Chemical Corp, Nama Inc., Taibah International Aid Association, Sulaiman Al-Ali, and Bachir Kabarra.[99] In an Online Chat session posted on March 22, 2002, Mohammed Omeish wrote:

> "I used to work with International Islamic Relief Organization [in the U.S.]. This organization ended its work about three years ago. The reason was ...a decision of the administrative council at that time...The investigation to which IIRO was subject was for its being an investor in a commercial organization in Chicago which was raided by the authorities for a background of supporting terrorism, and IIRO was a chief investor. What touched the company touched the organization."[100]

Soon thereafter, in August 1998, according to the deposition of BMI President Soliman Beheiri, Al-Ali suddenly decided to abandon his properties in Northern Virginia and San Diego and promptly returned to Saudi Arabia after almost seven years of residence in the U.S.[101] At this time, Beheiri received instructions from MWL and IIRO superiors in Saudi Arabia who, abruptly and for the first time, told him to "cancel the validity of [Al-Ali's] signature in regard to all of our accounts with your firm." Soon afterwards, MWL officials discounted all responsibility for the highly questionable investment decisions made by Sulaiman Al-Ali, apparently at their behest. Meanwhile, millions of dollars' worth of MWL/IIRO/Sanabel donations designated for humanitarian causes disappeared with no apparent explanation.

SUCCESS FOUNDATION

Within the United States, the IIRO also works through another related organization, the Success Foundation. IIRO and Success Foundation are in reality one and the same. Created shortly before the U.S. Embassy bombings in East Africa in 1998, the Success Foundation was a

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[96] Special October 1996 Grand Jury Indictment. United States of America v. Mohammed Mabrook. United States District Court Northern District of Illinois, Eastern Division. Case #: 98 CR 271. *Page 2.*

[97] Sworn Affidavit of FBI Special Agent Valerie Donahue. Cook County, Illinois. United States of America v. Mohammed Mabrook. United States District Court Northern District of Illinois, Eastern Division. Case #: 98 CR 271. *Page 16.*

[98] Attachment B In the Matter of the Search of 5234 So. Kolmar, Chicago Il, January 9, 1997.

[99] Attachment B In the Matter of the Search of: 360 S. Washington, 3rd Floor, Falls Church VA, USDC Eastern District of Virginia, Filed January 30, 1997.

[100] Islam Online chat session with Mohammad Omeish, March 22, 2002.

[101] Deposition of Soliman S. Biheiri. The Sana-Bell, Inc. v. BMI Real Estate Development, Inc. et al. United States District Court for the District of Maryland (Southern Division). Case No. 98-CV-4177 (PJM). Filed October 27, 1999. *Page 66.*

recipient of $15,000 from IIRO (according to IIRO's Tax Form 990 filed with the IRS in 1998) that was earmarked for "educational expenses." Line item 80 in Success Foundation's Tax Form 990 for 2000 filed with the IRS lists the "International [Islamic] Relief Organization" as an organization to which it is related, though this information is lacking in IIRO's parallel form.

In its corporate record registered with the Virginia Secretary of State, IIRO lists its office as:

P.O. BOX 8125
Falls Church, VA 22041

On the Success Foundation's Income Tax Form 2758 for calendar year 1999, used for an application to extend time to file information with the IRS, the organization lists the exact same address. Furthermore, IIRO lists its phone number on its 1999 Income Tax Form 990 as (703) 820-7199. Success Foundation lists the same number on its 1999 Income Tax Form 990, despite bearing a different address.

The leadership is closely shared between the IIRO and Success Foundation. In 1992, IIRO on its Income Tax Form 990 listed Khaled Nouri as its Treasurer. In 1999 and 2000, IIRO on its Income Tax Form 990 listed Mohamed Omeish as its President and Secretary. In 1999, Success Foundation listed on its Income Tax Form 990 that Mohamed Omeish was its Director and President and also listed Khaled Nouri as another Director. Success Foundation listed in both its 1999 and 2000 Tax Form 990 Mohamed Omeish as its President, Abdurahman Alamoudi (who has served as a long time official of the American Muslim Council) as its Secretary, and Khaled Nouri as its Treasurer. Alamoudi's signature appears on Success Foundation's Income Tax Form 2758 requesting an extension of time to file the organization's income tax return. Alamoudi's position is listed as Chairman.

BENEVOLENCE INTERNATIONAL FOUNDATION (BIF)

Lajnat Al-Birr Al-Islamiyya, the precursor to BIF, was established in 1987 in Pakistan and Saudi Arabia by Shaykh Adel Batterjee, a powerful and religious Saudi business magnate in Jeddah. It was founded as an "affiliate" branch of the World Assembly for Muslim Youth (WAMY), an organization heavily funded by the Saudi government, whose office in Washington D.C. was once headed by Abdullah Bin Laden.[102] WAMY sponsors various "humanitarian" causes, including Muslim religious youth camps around the world. The following is an excerpt from an officially sanctioned song to be performed by campers, as printed in an English-language WAMY training manual obtained in London:

> "Youth of [Islam] are the guided youth. Come! Come to a final decision: The Prophet has called out and so has the Qur'an. So blessed is the servant who responds when he is called... Bring back the glory to it's lions, And restore the zeal to its soldiers. Flatten evil in its cradle, And unsheath the swords... Hail! Hail! O sacrificing soldiers! To us!

[102] Basaddiq, Omar. "Islamic Charity Committee moves to new premises." Arab News. May 21, 1994. See also: IRS 990 forms for the "World Assembly of Muslim Youth" submitted for Fiscal Years 1993 through 1999.

> To us! So we may defend the flag. On this Day of Jihad, are you miserly with your blood?!"[103]

From its inception, Benevolence International Foundation (BIF) served as a means for pious, wealthy Muslims to secretly contribute to the jihad in Afghanistan. The Jeddah-based charitable group went to great lengths to protect the reputation of its prestigious donors. In 1993, Shaykh Batterjee publicly stepped down as head of BIF in exchange for a more behind-the-scenes role. Several years afterwards, the individual who took over Benevolence from Batterji, Enaam Arnaout (a.k.a. Abu Mahmoud Al-Hamawi), instructed his staff to disavow any knowledge of the "founders": "[t]ell him that all we know about them is that they are Saudi Business men and that they left the organization in May 93. Donot[sic] disclose any other information."[104]

Nevertheless, in approximately 1993, when the manager of BIF's main office in the Sudan traveled to Saudi Arabia to meet with local donors, he was arrested and held for several weeks by Saudi authorities while being subjected to repeated interrogation by Saudi intelligence regarding the now apparent relationship between BIF and Usama Bin Laden. According to Jamal Ahmed Al-Fadl, Al-Qaida Treasurer Madani Al-Tayyib worried that the arrest could only mean that the Saudi regime had uncovered documents and records linking BIF directly to Usama Bin Laden. When the Sudanese administrator was finally freed and able to return to Khartoum, Bin Laden hastily convened a meeting to determine whether he had divulged any sensitive information regarding Al-Qaida's relationship with BIF. Yet, in the end, Bin Laden worried needlessly; though the Saudis had indeed uncovered evidence of a BIF-Al-Qaida connection, no apparent steps were taken to close this source of funding or support. Several months later, Al-Tayyib indicated to Al-Fadl that "the problem had been fixed" and no more was spoken of the incident.[105]

But by then, it was hardly a secret that BIF was involved in more than just charitable activities. The entity openly advertised itself in its Arabic-language fundraising appeals as a "trustworthy hand for the support of [both] the mujahideen and refugees" in Bosnia.[106] Similarly, documents taken from BIF's U.S.-based offices in December 2001 included handwritten Arabic notations explaining that its headquarters in Croatia was established "for relief operations and support of jihad in Bosnia-Herzegovina... Contribute with your mujahideen brothers to repel the Crusader-Zionist attack on Muslim lands."[107] Another handwritten note

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[103] "Islamic Camps Objectives, Program Outlines, Preparatory Steps." World Assembly of Muslim Youth (WAMY); Riyadh, Saudi Arabia. Prepared by the Camps & Conference Unit of the World Assembly of Muslim Youth 1987. Translated (with additions) by Abu-Bakr M. Asmal 1990. Obtained at the WAMY Western Europe Office; 46 Goodge Street; London, UK.

[104] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Pages 28-29.*

[105] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 26.*

[106] Institute for Study and Documentation. "The Balkan War." Video produced by the Committee for Islamic Benevolence, Saudi Arabia (*Lajnat al-Birr al-Islamiyya*).

[107] Sworn affidavit of FBI Special Agent Robert Walker. United States of America v. Benevolence International Foundation, Inc. April 29, 2002. District of Illinois, Eastern Division. Case number: 02CR0414. *Page 29.*

found in Illinois by investigators revealed BIF's supreme "unwritten law": "no matter how poor/sick – first priority is for mujahideen."[108]

The raid of BIF's Illinois office also turned up a number of other documents directly related to the war in Bosnia: a receipt dated July 21, 1994, from the "Black Swans" Bosnian Muslim commando brigade for 300 blankets and 200 pairs of boots obtained from BIF; a receipt from the BiH army dated June 3, 1994, for 2,000 uniforms, 2,000 pairs of shoes, and ten "mass communication stations" donated by BIF to "this military unit"; a request dated December 31, 1994, from the Bosnian military for a combat ambulance (later delivered as promised in January 1995); and, a memorandum to BIF director Enaam Arnaout dated November 17, 1995 describing the recent contribution of 200 tents to the Muslim army.[109] In an interview conducted in 1992, BIF founder Adel Batterjee denied that his brainchild was actively encouraging its employees to aid or join the militant *mujahideen* operating in the Balkans; however, he also nonetheless added, "if a relief worker decides that he wants to join the fighting forces, we would not stop him."[110]

As Al-Qaida leaders working for other fraudulent charities in the Caucasus had discovered, the BIF leadership agreed that "the best way" to transfer supplies into Chechnya was through Azerbaijan. Consequently in late 1995, Gul Mohamed, an aide to the militant Afghan fundamentalist warlord Gulbuddin Hekmatyar, established a BIF branch office in Baku to "serve as a conduit of relief supplies."[111] At the end of the supply chain in the Chechen capital Grozny, Al-Qaida lieutenant Saif ul-Islam al-Masri (a.k.a. "Abu Islam al-Masri") served as BIF's local charge d'affaires. Saif ul-Islam was a member of Al-Qaida's military committee and had graduated from an expert training course in explosives conducted by the Iranian-backed Hezbollah terrorist group in Southern Lebanon. Saif also claims to have trained Somali Muslim militiamen to shoot down U.S. helicopters during the United Nations humanitarian mission in the Horn of Africa in the early 1990s. Saif's passport photograph was similarly recovered during a search in 1997 of Kenyan residences suspected of belonging to a local Al-Qaida cell.[112] At the time, he was in direct contact via telephone from Baku with the Kenyan terror cell led by Wadih El-Hage, a U.S. citizen working as personal secretary to Usama Bin Laden. As part of his command duties, El-Hage was tasked with relaying messages between Saif ul-Islam in the Caucasus and the military committee of Al-Qaida in Afghanistan, primarily Muhammed Atef (Abu Hafs Al-Masri) and Bin Laden himself.[113]

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[108] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 57.*

[109] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Pages 67-69.*

[110] Hedges, Chris. "Muslims from afar joining 'Holy War' in Bosnia." The New York Times. December 5, 1992.

[111] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 82.*

[112] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 27.*

[113] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Pages 77-78.*

According to notes taken by influential BIF fundraiser Uwaymir Anjum, Saif ul-Islam "came [to Chechnya] through" Shaykh Fathi Mohamed, BIF's initial contact in the region.[114] In his notes, Anjum indicated that Fathi had trained and organized in Afghanistan for a decade during the 1980s before moving to the Vedeno district in Chechnya in 1992. Starting as part of the Muslim Brotherhood, Fathi broke off to take "more broad and daring approaches... Fathi started receiving Mujahideen, especially Arabs, from other Muslim countries."[115] Anjum continued, "One of Sh. Fathi's legacies, probably the leader of the group after him, is Arabi, a Chechen student of Sheikh Fathi. He commands a group of about 600 mujahideen situated in the capital to keep a watch on the president to ensure that the president does not blatantly violate Islamic principles."[116] Hundreds of thousands of charitable dollars that BIF was raising under the guise of aiding helpless Chechen refugees was actually going to furnish militant Muslim holy warriors loyal to Shaykh Fathi Mohamed, the Saudi Arab-Afghan Ibn ul-Khattab, and the Chechen Islamist warlord Shamil Basayev (among others) with mine-proof boots, uniforms, medical equipment, and spending cash for travel and weapons.[117]

Inside the United States, in Illinois, BIF was led by, among others, Al-Qaida senior lieutenants Enaam Arnaout and Mohamed Loay Bayazid (a.k.a. Abu Rida Al-Suri). Bayazid is reputed to be one of Bin Laden's earliest confidantes from the days of the Soviet-Afghan war, and has even attempted to arrange for the purchase of radiological weapons by Al-Qaida. Yet, the militant known as "Abu Rida the Syrian" was also very familiar with the United States, where he had lived -- in Tucson, Arizona; Kansas City, Missouri; and Chicago, Illinois. Minutes of a BIF meeting held in Chicago on September 15, 1994, state: "Mr. Loay Baizid, president BIF presided the meeting which was started at 9:00 a.m. and lasted until 10:30 a.m." A 1994 unsigned "Memorandum of Action" for BIF's Board of Directors confirms that Bayazid was appointed to this position in order "to fill the vacancy created by the resignation of Mr. Jamal Nyrabeh." Finally, a check register belonging to Enaam Arnaout shows an outlay of $4,742 to Bayazid from an account containing a total of only $10,000.[118]

Others who worked at the Illinois office with Arnaout and Bayazid could not help but notice the inconsistencies in their supposedly humanitarian work. In a handwritten note recovered by the FBI, a BIF employee wrote unhappily: "That is our mission – Lying to the people."[119] However, some of BIF's other staff members openly embraced the jihadi philosophy

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[114] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 77.*

[115] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 76.*

[116] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 77.*

[117] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 75.*

[118] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 50.*

[119] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 57.*

espoused by Al-Qaida. Suleman Ahmer, BIF's former operations manager in the United States, was an unabashed supporter of cooperation with radical Islamic movements around the world. In an October 1997 letter to Arnaout, Ahmer expressed surprise that the organization would even claim to sponsor relief activities: "we have never worked in the countries which are affected by natural disasters and… we may never work in this area. But somehow in so many of our publications we have that BIF works in areas affected by wars and natural disasters. I wonder where it came from and so on."[120] Ahmer managed to convince Arnaout and the other BIF administrators to create two mission statements, one detailing supposed relief work for public consumption and one an internal document emphasizing "making Islam supreme" for the benefit of the fundamentalist board members—"It was decided that Suleman would present a draft for both."[121] Meanwhile, only a year earlier, Ahmer glamorized the struggle of the Arab mujahideen fighting in Bosnia to a Muslim youth camp held in South Florida:

> "…the Bosnians were well away from Islam… They couldn't even say the word 'jihad.' They used to call 'mujahedin,' 'muhajedin.' It took them many months to learn the right word."[122]

But, Ahmer insisted that the effort was not made in vain; after witnessing the fearlessness of the foreign mujahideen battalion loyal to Al-Qaida, the Bosnians responded, "if this really, if this is what Islam teaches you, we are fools if we don't practice Islam."[123]

In the New York area, BIF was represented by a senior Bosnian diplomat and "Minister Counsellor" at the Bosnian Mission to United Nations in Manhattan: Saffet Abid Catovic. Since 1993, Catovic has been a prominent charitable fundraiser for the Balkans and an outspoken voice at the UN mission on Islamic religious and political issues.[124] He has had a close relationship with the Kingdom of Saudi Arabia and, in interviews in 1994, he publicly thanked the Saudis for their generous financial assistance to Bosnian religious projects.[125] However, he has since noted: "there was no way to do wire transfers into Bosnia; it had to be physically carried—the funds had to be physically carried in to give the people, uh, financial help… it's not unusual."[126]

Given his fundamentalist activism in the northeastern United States, it is clear that Catovic was also using his position to advocate "holy struggle" against the opponents of radical Islam, including inside the United States. Testifying in Immigration court, Catovic denied

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[120] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 53.*

[121] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 54.*

[122] "Jihad, The Misunderstood Word." Lecture given by Suleman Ahmer at the World Assembly of Muslim Youth (WAMY) Okeechobee Summer Da'wah Camp. July 26, 1996. Videotape obtained from the Meccacentric Da'wah Group.

[123] "Jihad, The Misunderstood Word." Lecture given by Suleman Ahmer at the World Assembly of Muslim Youth (WAMY) Okeechobee Summer Da'wah Camp. July 26, 1996. Videotape obtained from the Meccacentric Da'wah Group.

[124] Mehdi, Anisa. "CATCH THE SPIRIT: PROGRAM #93-23 (BOSNIA)." 1.5 hour VHS videocassette produced by the United Methodist Church featuring Saffet Abid Catovic, Rev. Samuel B. Phillips, Stephen W. Walker, and Kathleen M. Pratt. UMCom; ©1993.

[125] Shaikh, Habib. "U.N. subject to whims of 'Big Five': Catovic." Arab News. July 17, 1994.

[126] Individual Hearing of Mazen Al-Najjar and Fedaa Al-Najjar. United States Immigration Court; Orlando, Florida. Judge Dan Dowell presiding. October 8, 1996. *Page 858.*

supporting the blind Shaykh Omar Abdel Rahman (head of the Egyptian Al-Gama`at Al-Islamiyya terror organization) but nonetheless added, "I admire his recitation of the Koran... [h]e's a blind man who recites Koran very beautifully."[127] During his testimony, Catovic also admitted to having met Ramadan Abdullah Shallah, the current General Secretary of the Palestinian Islamic Jihad (PIJ), "once or twice" at terrorist fundraising conferences held in the United States by the Tampa-based Islamic Committee for Palestine (ICP).[128]

New York police who arrested El Sayyid Nosair, the assassin of militant Jewish leader Meir Kahane and co-conspirator in the February 1993 World Trade Center bombing, found Saffet Catovic's business card from the New York City Health and Hospitals Corporation amongst Nosair's personal effects. In a videotaped theological lecture published by an Islamic media outlet in New Jersey, Catovic introduced Siddig Ali (also later convicted of a central role in a fundamentalist conspiracy to bomb New York landmarks in 1993) to speak on the subject of "Jihad: The Forgotten Duty." Catovic offered heartfelt praise of Siddig, and told his camera audience that they should feel "honored to have our dear brother from Sudan, a land which is participating in the Jihad in the struggle itself, and by the mercy of Allah, has almost succeeded in gaining that victory totally and completely." Siddig Ali ordered to his followers amongst viewers:

> "If the Da`wa [Islamic Call] is confronted, anybody, anywhere, by any power, then the sword is to be absolutely used and implemented... But let's come back to our Muslims that are with us today and Brother Saffet just showed us today a video of what is going on today in Muslim Bosnia. What happened to our involvement as Muslims, to attack the core of this disease? ...Allah (SWT) warned us in the Qur`an when he said, 'O you who believe, what is the matter with you, that when it is time that you are asked to go forth to fight in the cause of Allah, you cling heavily to the earth? ...As if we came back from our respective countries with the same defeatist mentality, that we cannot announce and pronounce these ayat [verses] of Jihad... because we are still afraid that the CIA or the FBI or the authorities or countries are going to be behind us... [and we do not] confront the kuffar [infidels] who has taken our own sisters, our brothers, as slaves in Bosnia."[129]

It is, of course, fundamentally significant that Catovic, a senior official at BIF (an organization now officially recognized by the U.S. government as an Al-Qaida terrorist front group), had such a close relationship with Siddig Ali, one of the lead conspirators in the 1993 New York terror plots.

On November 24, 2000, the Dorral Forrestal Conference Center in Princeton, New Jersey hosted a three-day local Muslim "spiritual retreat." One of the speakers at the event was Saffet Catovic, whose lecture was titled "Political and Social Jihad." In an article about the retreat, the author explained, "Brother Saffet Catovic has been active in the Bosnian Jihad for many years."[130] Between August 20-26, 2001, Catovic was a featured invitee and speaker at a "Jihad

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[127] Individual Hearing of Mazen Al-Najjar and Fedaa Al-Najjar. United States Immigration Court; Orlando, Florida. Judge Dan Dowell presiding. October 8, 1996. *Page 829.*

[128] Individual Hearing of Mazen Al-Najjar and Fedaa Al-Najjar. United States Immigration Court; Orlando, Florida. Judge Dan Dowell presiding. October 8, 1996. *Pages 830-831.*

[129] "Jihad: The Forgotten Duty, by Br. Siddig Ali, and Jihad in Kashmir and Bosnia." Islamic Educational Video Series from The International Institute of Islamic Research [Director: Shaykh Zahiruddin Shafi]. P.O. Box 1653, Burlington, NJ 08016. (609)387-5070.

[130] Iqbal, Sameera. "Seeking the Love of Allah." *Al-Nasihah*. The newsletter of the Islamic Society of Rutgers University. Vol. 1; Issue 4. November/December 2000. Page 12.

Camp" organized for Muslim men between the ages of 14 and 25, sponsored by the northeast regional branch of the "Young Muslims of North America." Though there was no explicit mention of any martial purpose, the flyer was printed in camouflage colors and the text was in military-style block print.[131] The conference registration form began with a quote from the Qur'an:

> "Jihad is ordained for you (Muslims) though you dislike it, and it may be that you dislike something which is good for you and that you like something which is bad for you. Allah knows but you do not know."[132]

One of the other lecturers at the Jihad Camp (who has teamed up with Catovic at many other speaking events) was Imam Siraj Wahaj, a radical African-American Muslim cleric, listed by U.S. Attorney Mary Jo White in 1995 as an "unindicted person who may be alleged as [a] conspirator" in the 1993 World Trade Center bombing.[133]

In the aftermath of the September 11 terrorist attacks, the U.S. government froze the assets of BIF and commenced legal action against one of its principle directors and founders, Illinois-resident Enaam Arnaout. In February 2002, Arnaout worriedly contacted his brother "Dr. Hisham" to discuss how "they" had taken the former director of BIF's office in Bosnia "in a special plane… [t]o Cuba." Arnaout, convinced of his own inevitable fate, explained to Hisham how he would attempt to shoulder the blame and exonerate BIF's Saudi founders. He somberly reflected, "It means, we, I mean, there is death that we will be swallowing. Meaning, the razor will fall on us, but we do not know how."[134] Less than a month later, the razor did fall; Bosnian police raided BIF's regional headquarters in Sarajevo and detained its manager, Munib Zahiragic, a former Muslim intelligence officer affiliated with the Bosnian Foreign Ministry. Zahiragic reportedly turned over nearly 100 top-secret documents about suspected fundamentalist terrorists operating in Bosnia, including transcripts of communications between BIF management and senior commanders of Al-Qaida based in Afghanistan.[135] Also found were three firearms, a ski mask, numerous military manuals on topics including small arms and explosives, fraudulent passport materials, and photographs of Usama Bin Laden.[136]

Frantically, Enaam Arnaout, about to be arrested himself in the U.S., contacted Zahiragic in jail to discover the extent of the damage caused by the raids. The latter admitted on the phone, "[T]hey took things… I had documents from, from, intelligence, where I worked before, and I had various documents, from the, from the, from the, what is it called, from the job." Arnaout, not realizing how much Zahiragic had already betrayed, ordered the Bosnian spy, "not to give

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[131] http://www.ymusa.org/northeast/JihadCamp1.jpg. August 3, 2001.
[132] http://ymusa.org/northeast/. August 3, 2001.
[133] "Re: United States v. Omar Ahmad Ali Abdel Rahman, et al." List of 173 possible co-conspirators submitted by Mary Jo White. February 5, 1995.
[134] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 74.*
[135] Whitmore, Brian. "Bosnian Charities Tied to Terror." The Boston Globe. July 2, 2002. Page 1.
[136] Sworn affidavit of FBI Special Agent Robert Walker. United States of America v. Benevolence International Foundation, Inc. April 29, 2002. District of Illinois, Eastern Division. Case number: 02CR0414. *Page 10.*

information about the others... Meaning we now, I don't know a thing about you... I don't know your life... [W]hat do you know about me, you don't know a thing about me."[137]

In a sadly ironic (if not a bit a comic) footnote, BIF posted a letter of recommendation on its website dated October 15, 2001, from the Director of the Newark Police Department, Joseph J. Santiago. Santiago had written to Saffet Catovic to "personally thank you and your organization 'Benevolence International Foundation'... for your ongoing and continuing efforts in demonstrating to the community that you are an organization of concern and compassion... Your organization exemplifies the true spirit of what America is all about."[138]

BIF & U.S. Financial Institutions

According to its IRS Forms 990, in the United States alone, BIF collected over $12,800,000 in charitable contributions between 1993 and 1999.[139] BIF's methods of accepting donations included:

- Personal checks sent to Benevolence International Foundation, PO Box 548, Worth, IL 60482, LaSalle Bank NA, Account Number: 5201184396.[140]
- Wire transfers to BIF's bank account in Illinois. [141] On its website, BIF provides the following bank account information for donations in the form of wire transfers: LaSalle Bank NA, 15862 S. LaGrange Rd., Orland Park, IL 60462, (708) 349-4004, Routing Number: 07100505.[142]
- Donate stock through National Financial Services Corp., 1415 West 22nd St., Suite 100, Oak Brook, IL 60523, 1-800-544-8666, Account Number: X93-145335, Federal/Tax ID# 36-3823186, DTC #: 226.[143] National Financial Services Corp. is a Fidelity Investments brokerage firm.

The indictment of BIF Director Enaam Arnaout reveals extensive use of U.S. financial institutions to raise and launder money for Al-Qaeda, including the following transactions:

- "Arnaout and his co-conspirators agreed to conduct financial transactions, affecting interstate and foreign commerce, by wire transferring funds from BIF's checking accounts in Illinois to bank accounts in various locations, including New Jersey and accounts outside the United States, knowing that the property involved in the transactions represented the proceeds of specified unlawful activities, namely, mail and wire fraud."[144]

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[137] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 103.*

[138] Santiago, Joseph J.; Police Director, Newark Department of Police. Letter dated October 15, 2001, addressed to Saffet Abid Catovic, Director of Public Relations. P.O. Box 548, Worth, IL 60482.

[139] Benevolence International Foundation IRS Forms 990, 1993 – 1999.

[140] http://www.benevolence.org/MakeAPledge/bankinfo.asp, February 12, 2003.

[141] http://www.benevolence.org/MakeAPledge/bankinfo.asp, February 12, 2003.

[142] http://www.benevolence.org/MakeAPledge/bankinfo.asp, February 12, 2003.

[143] http://www.benevolence.org/MakeAPledge/bankinfo.asp, February 12, 2003.

[144] United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois Eastern Division. April 2002. Pgs. 9-10.

- "Between June 2000 and September 2001, members of the conspiracy caused the transfer of approximately $1,414,406.00 via wire from an account at Union Bank of Switzerland (the 'Swiss Bank Account') to BIF's checking account in the United States. Those funds were commingled in BIF's checking account with donations the BIF Enterprise received from other sources and disbursed in large part to the BIF Enterprise offices overseas."[145]
- "In a schedule of donations exceeding $5,000 attached to BIF's Form 990 Tax Return for its fiscal year 2000, executed by defendant ARNAOUT under the penalty of perjury, BIF substantially understated the amount of funds it received from the Swiss Bank Account and did not attribute a substantial portion of the funds to a known source."[146]
- "On or about April 21, 2001...[Arnaout] conducted and attempted to conduct a financial transaction, affecting interstate and foreign commerce, namely, transferring by wire approximately $4000 from BIF's checking account at Citibank FSB to Fleet Bank in Newark, New Jersey, knowing that the property involved in the transaction represented the proceeds of a specified unlawful activity, namely mail fraud."[147]
- "On or about October 1, 2001, [Arnaout], for the purpose of executing the scheme to defraud knowingly caused to be transmitted by means of wire communication, ...an electronic transmission of funds in the amount of approximately $10,000 from BIF's checking account at LaSalle National Bank to Fleet Bank in Newark, New Jersey."[148]

According to the Government's Evidentiary Proffer in the matter of USA v. Enaam Arnaout:

- "On February 22, 2000, [www.qoqaz.net[149]] posted donation links on the website for two charities, one of which was BIF. Records obtained from Citibank reveal that in the four month period from January 4, 2000, to April 11, 2000, BIF sent nineteen wire transfers from its checking account, number 980110435, in the amount of $685,560, to the bank accounts of the Georgian Relief Association MADLEE (MADLEE) in Tbilisi, Georgia and BIF's accounts in Baku, Azerbaijan; Moscow, Russia; and Riga, Latvia. MADLEE's director is Marat

[145] United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois Eastern Division. April 2002. Pg. 13.
[146] United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois Eastern Division. April 2002. Pgs. 13-14.
[147] United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois Eastern Division. April 2002. Pg. 22.
[148] United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois Eastern Division. April 2002. Pg. 25.
[149] www.qoqaz.net is an al-Qaeda affiliated website dedicated to the financial and political support of the Chechnyan Mujahideen.

Avlarigov, whose brother, Chamsoudin Avlarigov, is affiliated with the Chechen mujahideen."[150]

QATAR CHARITABLE SOCIETY (QCS)

Another purported humanitarian organization engaged in the active financing of Al-Qaida and other designated international terror groups is the Qatar Charitable Society (QCS), the oldest and largest such group in Qatar.[151] QCS is a part of the Islamic Coordination Council (ICC), a coordinating body of Muslim charitable groups established in 1985 in Peshawar, Pakistan to maximize the financial assistance reaching Afghanistan.[152] Shaykh Abdullah Azzam, an initial founder of Al-Qaida, was a member of the ICC leadership prior to his assassination in Peshawar in 1989.[153] Other ICC members include the International Islamic Relief Organization (IIRO), the Saudi Red Crescent Society, and the World Assembly of Muslim Youth .[154]

Much like the various Saudi charities that have funded Al-Qaida over the past decade, QCS also draws much of its funding primarily from official sources. The organization also has strong and longstanding fundamentalist contacts within the Qatari government itself. In October 2002, the Emir of Qatar, Shaykh Hamad bin Khalifa Al Thani, and the Qatari Foreign Minister, Shaykh Hamad bin Jassem bin Jabr Al Thani, invited the President of QCS, Shaykh Abdul Aziz bin Abdulrahman Al Thani, to join them in high-level meetings with the visiting United Nations High Commissioner for Relief, Ruud Lubbers.[155] An advertisement for QCS' relief activities in Kosovo speaks of a collaborative partnership with the state-supported Qatar Red Crescent Society.[156] Moreover, until recently, a WHOIS lookup of the Qatar Charitable Society's website (www.qsociety.org) listed Hashem Hussein as both the Administrative and Billing Contact for the site. His corresponding e-mail address, "hashim@MMAA.GOV.QA," indicates that Mr. Hussein was an employee of the Qatari Ministry of Municipal Affairs and Agriculture.

According to its website, the Qatar Charity Society innocently "aims to offer relief and help to orphans, victims of war and disasters by supporting them financially, socially and culturally up to the age of 18. QCS aids widows to meet living expenses particularly those who lost all relatives and friends."[157] By 1995, QCS claimed to have initiated over 250 projects worldwide in 35 countries including India, Pakistan, Bangladesh, Afghanistan, Somalia, Sudan, Bosnia, the Palestinian territories, Yemen, and the Philippines.[158] In one fiscal quarter of 1997 alone, QCS was reportedly engaged in worldwide projects estimated at a total value of over 3.5

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[150] United States Of America v. Enaam M. Arnaout. Government's Evidentiary Proffer Supporting The Admissibility Of Coconspirator Statements. United States District Court Northern District Of Illinois Eastern Division. January 6, 2003. Pg. 94.

[151] "Voluntary and Charitable Organizations." http://www.dohaislamicsummit.org/qatar/english/islamic-e.htm. March 1, 2003.

[152] Agency Co-ordinating Body for Afghan Relief (ACBAR). July 1, 1998.

[153] Wiktorowicz, Quintan, "The new global threat: transnational Salafis and Jihad." Middle East Policy. No. 4; Vol. 8; Pg. 18; ISSN: 1061-1924, December 1, 2001.

[154] http://www.yellowpages.liwal.net/asistance/icc.htm. March 1, 2003.

[155] "UNHCR briefing notes: Liberia, Côte d'Ivoire, Rwanda." http://www.reliefweb.int. Dated October 11, 2002.

[156] "Urgent Relief for the Muslems of Kosovo." http://www.qcharity.org/qenglish/images/kosovo/new_page_2.htm. March 1, 2003.

[157] http://www.qcharity.org/qenglish/index.html. March 1, 2003.

[158] "Qatar organization carry out welfare projects." Riyadh Daily. January 13, 1995.

million Qatari Riyals.[159] QCS advertised 20 numbered bank accounts in the Qatar Islamic Bank and the Qatar International Islamic Bank ready to receive wired donations from at home and abroad.[160]

However, as is the case with both MWL and BIF, QCS' charitable mission represented little more than an excuse to provide material support to terrorists. In trial proceedings surrounding the prosecution of individuals associated with the conspiracy to bomb the U.S. Embassies in Kenya and Tanzania in 1998, QCS was first named by as a major financial conduit for Al-Qaida. Former Al-Qaida member and star government witness Jamal Al-Fadl testified how he had worked closely with QCS in 1993.[161] Al-Fadl was asked to discuss Dr. Abdullah Mohamed Yousef, a fundamentalist veterinarian and director of QCS. He explained:

> "The guy [Yousef], he runs a group, he is one of our membership, one of the al Qaeda group membership, and also he is [Sudanese] Islamic National Front membership, and he was in Afghanistan. So he helped our people for the travel, documents, and also if some money come from the Gulf area to the organization, he gives the group some money from that money."[162]

In the Sudan, QCS was actively aiding radical quasi-official militias associated with the National Islamic Front (NIF) in fighting Christian and animist groups in the south of the country. In a fundraising brochure for the Sudan distributed by QCS in Qatar, the Society appealed to its donors to help protect "our brotherly Sudan" from "wild savage invaders," who were accused of "destroying the Sudanese territorial integrity, security, stability, and unity." The brochure further noted, "Every tiny support is great and important especially in this holy month, Ramadan. It is the month of Allah[sic] blessings… and the month of 'Jihad' in one's person, one's wealth, and one's dwellings. Support for those brave heroes who are sacrificing their persons will be of great mercy, forgiveness and freeing from the Hell fire."[163] During one short period of 1999 alone, the chairman of the Qatar Charitable Society reported the transfer of 1 million Qatari Riyals in the form of "emergency aid" to the Sudan.[164]

In 1995, Bin Laden reportedly confirmed to Jamal Al-Fadl that $20,000 supplied by Dr. Abdullah Yousef through QCS was used by Al-Qaida to bankroll the attempted assassination plot that year against Egyptian President Hosni Mubarak in nearby Addis Ababa, Ethiopia. At the time, Bin Laden sternly rebuked the financiers of the abortive terror plot for their carelessness in concealing the true source of the funds, and expressed serious concerns that "al Qaeda's abilities to use charities to fund operations might be compromised as a result."[165]

During the mid-1990s, Dr. Yousef also used the resources of the Qatar Charitable Society to help underwrite the financial needs of the Eritrean Islamic Jihad Movement (EIJM).[166] At the time, EIJM recruits, seeking to overthrow their own government and replace it with an Islamic

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[159] "Projects carried out by Qatar Charitable Society." Middle East News Items. Info-Prod Research (Middle East) Ltd. September 8, 1997.
[160] http://www.qcharity.org/qenglish/banks.htm. March 1, 2003.
[161] United States of America v. Usama Bin Laden, el al. February 6, 2001. Testimony Transcript; Page 329.
[162] United States of America v. Usama Bin Laden, el al. February 6, 2001. Testimony Transcript; Page 330.
[163] http://www.qcharity.org/qenglish/helpsuda.htm. Dated December 27, 1997.
[164] *Al-Rayah*. August 16, 1999.
[165] "Government's Evidentiary Proffer Supporting the Admissibility of Co-Conspirator Statements." United States of America v. Enaam M. Arnaout. United States District Court Northern District of Illinois, Eastern Division. Case #: 02 CR 892. January 31, 2003. *Page 103.*
[166] United States of America v. Usama Bin Laden, el al. February 6, 2001. Testimony Transcript; Page 330.

regime, were receiving military training from senior Al-Qaida lieutenants in the Sudan after having been recruited to follow Usama Bin Laden's international agenda. Several years later, the Deputy Emir of EIJM, Abul Bara' Hassan Salman, confirmed in an interview, "As for the latest Christian onslaught which is being led by America... I say to the Muslim people everywhere: supporting Jihad and the Mujahideen is the way to remove the nightmare of degradation and humiliation which has rested on the chests of our community in its various forms."[167]

Outside of Africa, the Qatar Charitable Society was also extremely active in the Balkans and the turbulent Muslim republics of the Caucasus. In November 1994, one Egyptian QCS "aid worker" was killed and another badly burned in a mysterious "gas explosion" in Sarajevo.[168] QCS also helped distribute a collection of fundamentalist articles titled "Obstacles to the Islamic Resurgence" edited by former Bosnian President Alija Izetbegovic.[169] In the wake of September 11, Izetbegovic stepped down amid controversy that his administration had provided safe haven and travel documents to hundreds of Muslim militants loyal to Al-Qaida.[170] More recently, a VIP social event was organized by QCS in Bosnia to inaugurate a new relief project ordered by a "Decree of His Excellency the Emir [of Qatar]." The party was attended by, among others, Ambassadors from Egypt, Saudi Arabia, Libya, and Iran.[171]

In October 2001, the Azerbaijan Ministry of Justice forcibly closed down its own local QCS office for, "under the disguise of charity," conducting "damaging activities that violate our national interests, as well as [cooperating] with terrorist structures and [distributing] propaganda inciting radical sectarianism, religious hatred and fanaticism."[172] In 1995, a QCS office founded in neighboring Daghestan (adjacent to Chechnya) dispensed over 3 million Qatari Riyals in less than two years.[173] Russian intelligence became suspicious when they discovered that the QCS branch was being run by an Egyptian citizen named Yasir Ibrahim. Daghestani state tax police initiated an inquiry into the organization, and uncovered forged documents and invoices detailing hundreds of thousands of dollars of illicit financial transactions. From the evidence they collected, investigators estimated that QCS had given perhaps as much as $1 million to unspecified "Chechen extremists." Yet, the true numbers will likely never be known because, as the Russians discovered to their dismay, "most of the 'charitable contributions'... were not recorded anywhere. The same goes for how the money was distributed."[174]

By liquidating charity bank accounts into untraceable cash withdrawals in war-torn states (often with no reliable banking systems), QCS was able to make this money simply disappear. Journalists confronted Qatari Foreign Minister Hamad Bin Jasim Bin Jabr Al-Thani with Russian

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[167] "'The Governing Regime is a Terrorist Regime Which Acts With Enmity Against the Eritrean People': An Interview with the Deputy Amir of the Eritrean Islamic Jihad Movement – Abul Bara' Hassan Salman." *Nida'ul Islam*. Issue 22; February-March 1998.

[168] "Egyptian aid worker, injured in gas explosion, due for evacuation." Agence France Presse. November 26, 1994.

[169] http://www.qcharity.org/qenglish/book_1.jpg. March 1, 2003.

[170] "Former Bosnian president says mojahedin and terrorists not synonymous." HINA News Agency. Broadcast in English in Zagreb. October 9, 2001. 1334 GMT. See also: "Muslim leader denies there are Bin-Ladin's supporters in Bosnia." SRNA News Agency. Broadcast in Serbo-Croat language in Bijeljina. October 9, 2001. 718 GMT.

[171] "Qatar Relief Organization Builds 112 Houses for the Bosnian Returnees." *Al-Rayah*. August 31, 2002.

[172] "Azerbaijan closes offices of Arab relief organizations due to illegal activity." Interfax News Agency. April 10, 2002. See also: "Azerbaijan shuts down Kuwaiti, Qatar charity organizations." Turan News Agency (Baku). Broadcast in Russian language. April 9, 2002; 1530GMT.

[173] "Charity denies Russian charges of assisting Dagestan rebels." *Al-Rayah*. September 20, 1999.

[174] *Segodnya* (Moscow). November 16, 1999.

allegations that QCS was openly and actively supporting "certain Arab individuals… fighting with the Chechen fighters." With little reflection, Al-Thani flatly admitted that, indeed, this might be the case:

> "[W]e as a government cannot control the aid going abroad, some of which may go for humanitarian goals, and some may start as humanitarian but end up in another way. However, there is no monitoring because people are sympathizing... We as a government may be able to control our sympathy, although in the end we are only human beings and Muslims… [t]herefore we cannot restrain the people's feelings in this regard."[175]

Even after the September 11 suicide hijackings, the Qatari regime continued to refuse to restrict the fundraising and religious activism of pro-Al-Qaida religious charities, including the Qatar Charitable Society.[176] In September 2001, the very month that Al-Qaida struck at America, QCS' official newsletter carried an article titled "Jihad is the Solution!" The author urged faithful Muslims:

> "The only way to liberate Palestine is the holy Jihad which mobilizes all potentialities in the Arab and Islamic countries, and in which all Muslims stand as one behind the Mujahideen and support them in their Jihad… The time has come for Muslims to follow in the footsteps of Salahudeen and to restore Jerusalem and Palestine to the Arabs and the Muslims. For Jerusalem is in your hands, Oh, Muslims. There is no solution to the matter save Jihad. 'You shall readily mobilize, light or heavy, and strive with your money and your lives in the cause of GOD. This is better for you, if you only knew.' (Quran 9:41)"[177]

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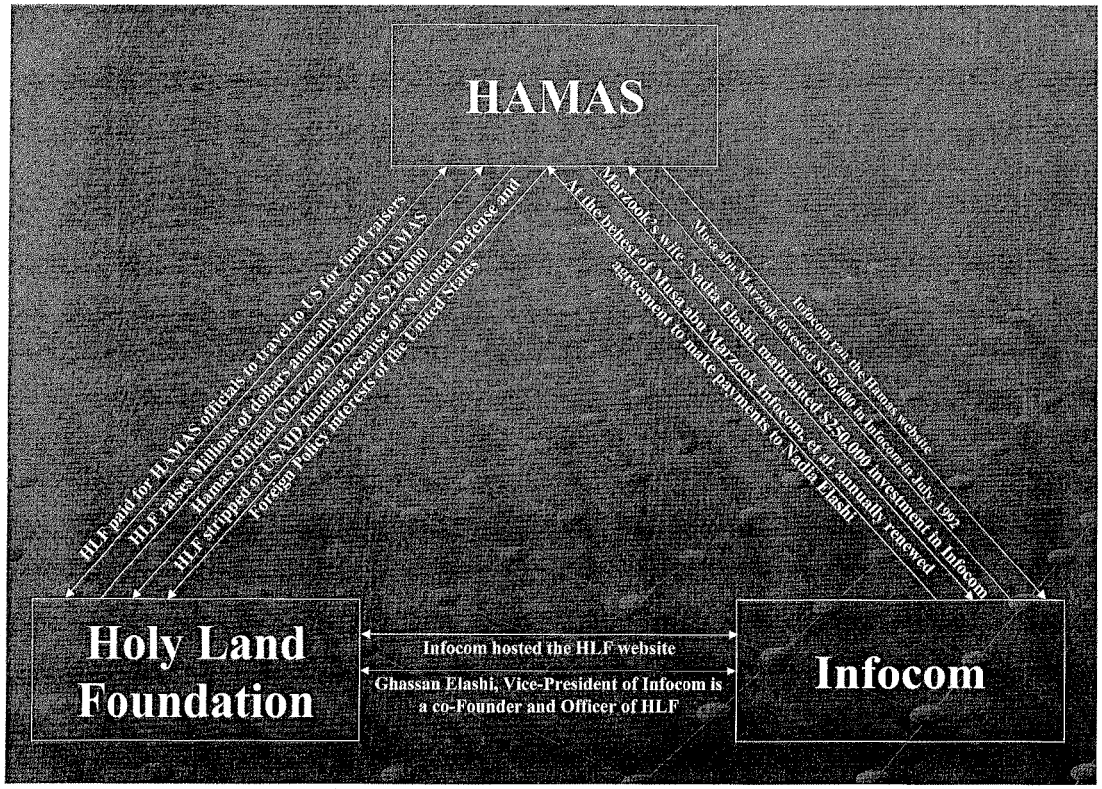
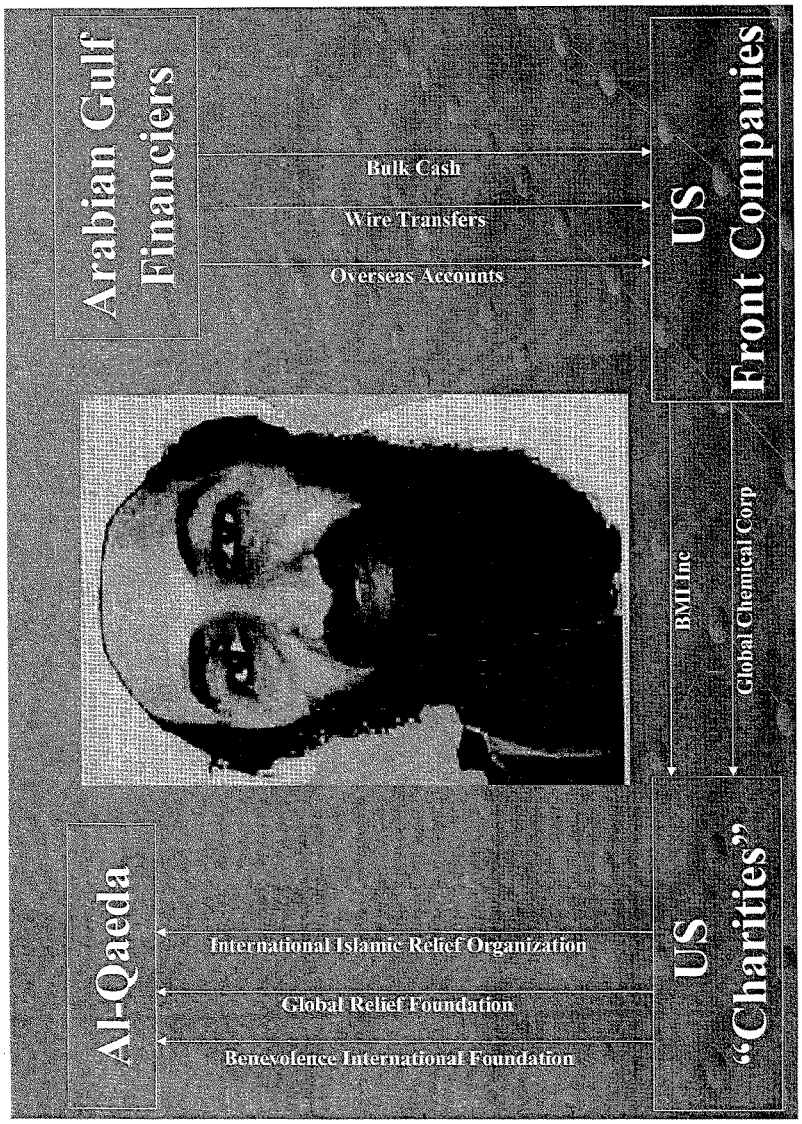
[175] Bin Qinnah, Khadijah. "Minister denies Russian report on funding for Chechen militants." *Al-Jazeera* Television. Broadcast in Arabic language. November 22, 1999; 2040GMT.
[176] Trabelsi, Habib. "Noose tightens around Islamic charities in Gulf." Agence France Presse. October 3, 2001.
[177] Al-Imari, Dr. Abdelqader Muhammad. "Oh Muslims, Jerusalem is calling you! Jihad is the Solution!" Qatar Charitable Society Magazine. September 2001. http://www.qcharity.org/maga/.



The Investigative Project March 10, 2002



The Investigative Project – March 10, 2002

Testimony of Alice Fisher
Deputy Assistant Attorney General
United States Department of Justice
on March 11, 2003

Subcommittee on Oversight and Investigations
Committee on Financial Services

United States House of Representatives

Madam Chair, Mr. Vice Chair, and Ranking Member Gutierrez, I am honored to be here. My name is Alice Fisher, and I serve as the Deputy Assistant Attorney General in the Criminal Division, where I oversee the Counterterrorism Section and one of its components, the DOJ Terrorist Financing Task Force. I appreciate the opportunity to discuss our progress in the area of terrorist financing.

The Department of Justice targets the financiers of terrorism as aggressively as those terrorists who commit violent acts. We make no distinction between those who carry out terrorist attacks and those who knowingly support, manage, or supervise terrorist organizations. Currently, the Department is pursuing over 70 criminal terrorist financing or material support investigations. Over the past 18 months, the Department of Justice has charged 61 individuals in cases involving terrorist support, to such groups as *al Qaeda*, Hamas, Hizballah and Palestinian Islamic Jihad, or "PIJ." The Department has also charged 33 persons in cases involving the terrorism-related sanctions program of the International Emergency Economic Powers Act, or "IEEPA." Finally, the Department has charged over 20 individuals with illegally operating an unlicensed money remitting service, or "hawala." All of these charged individuals face substantial penalties, including lengthy prison sentences. Our message is clear: we will bring justice to the full network

of terror.

The Justice Department's Terrorist Financing Enforcement Program involves two critical and complementary areas: (1) developing intelligence about terrorists and their financial supporters and (2) combining this intelligence with other evidence to disrupt terrorist financing through aggressive criminal, civil and regulatory law enforcement in United States courts. The successes that I will outline below demonstrate the achievements of the Terrorist Financing Task Force, the U.S. Attorney's Offices and the FBI's Terrorist Financing Operations Section, who have used both intelligence and enforcement in an effort to cripple those terrorist organizations who seek to harm.

Material Support Charges

One of the most powerful tools against terrorist financing is the crime of "providing material support" to terrorists, 18 U.S.C. section 2339B. Thanks to Congress, in enacting the USA PATRIOT Act, this crime now carries a penalty of up to 15 years and, in some instances, life imprisonment. This statute allows law enforcement to act early, during the stages of planning and development, rather than waiting for terrorist attacks to occur.

The Department of Justice has used the material support offense to disrupt terrorist *jihad* cells in Buffalo, Portland, Seattle, Detroit, and in the recently concluded case of John Walker Lindh. We have also used it in drugs-for-weapons plots in Houston and San Diego. Just last week in North Carolina, in the first § 2339B case to be decided by a jury, the court sentenced

Mohammed Hammoudeh, the leader of the Charlotte Hizballah cell, to 155 years in prison.

It is useful to look at some of the specifics of these cases to address this Subcommittee's interest in what the Department has learned about how terrorist organizations obtain support and how the Government can try to cut off such support. Although we are involved in the process of designating terrorist groups for international asset-freezing purposes and defending any civil challenges, I am going to focus on criminal prosecutions, and cases that involved funding to *al Qaeda*, PIJ, and Hizballah.

1. The Brooklyn *al Qaeda* funding case. Last week the Department of Justice announced that charges of material support to *al Qaeda* and Hamas had been brought in federal court in Brooklyn, New York against two Yemeni nationals, Mohammed Ali Hasan Al-Moayad and Mohshen Yahya Zayed, who were arrested in Germany following an undercover sting. As the complaint alleges, al-Moayad claimed to have personally provided $20 million to Usama Bin Laden. Using an undercover informant, the FBI captured Al-Moayad boasting about his involvement in providing money, recruits and supplies to *al Qaeda*, Hamas and other terrorist groups, in part from monies he collected from collections at the Al Farouq mosque in Brooklyn. He also claimed to be Usama Bin Laden's spiritual advisor.

2. The Tampa PIJ Funding Case. In Tampa, Florida, we recently obtained charges against Sami Al-Arian and seven other persons, including three of the main overseas leaders of the Palestinian Islamic Jihad. As the indictment details, the Palestinian Islamic Jihad is responsible

for the murder of over 100 innocent people, including a 20-year-old American student. Like HAMAS, PIJ rejects peace as a solution to the Israeli-Palestinian conflict, and has engaged in a campaign of suicide bombings and armed attacks that have taken the lives of hundreds of innocent victims. The Tampa defendants are charged with a racketeering conspiracy, with conspiracy to commit murder, and with conspiracy to provide material support to PIJ.

As detailed in the indictment, Sami Al Arian, as a PIJ leader and Secretary of the Shura Council – the worldwide governing body for PIJ – attended conferences, spoke openly of his hatred for Israel and of the need for its violent destruction, and actively engaged in PIJ operations. He spoke to PIJ's leaders by phone, helped them with financial matters, resolved internal disputes, raised and sent funds, and used his fax machine to help the group claim credit for terrorist attacks. When Fathi Shiqaqi, PIJ's worldwide leader was killed in 1995, his role was assumed by defendant Ramadan Shallah, a visiting scholar who, just months before, had been employed in Tampa by Al-Arian's tax deductible charitable foundation.

When PIJ was designated as a Foreign Terrorist Organization in 1997, Al-Arian attempted to adopt the voice of moderation and denied that he was ever affiliated with PIJ or acquainted with any of its leaders such as Shiqaqi and Shallah. Unfortunately for Al-Arian, the court-approved electronic surveillance of his office remained in place, while he continued to engage in the same conversations, with these same PIJ leaders, about the same type of matters as he did before PIJ was publicly branded a terrorist group.

The 121-page indictment consists, in large part, of words coming out of the defendants'

own mouths and word processors, in communications they believed at the time to be strictly between friends. The USA PATRIOT Act and a recent judicial opinion changed that situation. Congress deserves thanks for creating the legal mechanisms that permitted us to bring this case.

3. The Charlotte Hizballah Funding Case. Finally, a word about the Charlotte Hizballah case that, as I mentioned, recently resulted in a 155-year sentence for the main defendant. What started out as a suspicion noted by a local, off-duty sheriff ultimately uncovered a massive cigarette smuggling and tax evasion scheme involving several Lebanese men. In pursuing that interagency investigation, which involved the sale of these untaxed cigarettes at deep discounts in Michigan, the federal prosecutors were approached by FBI intelligence agents with a rather surprising fact: their fraud subjects were part of a Hizballah cell which had received instructions from and provided financial support to well-known terrorists in Beirut, and their activities had been captured through electronic surveillance. The investigation led to Canada, where the Canadian government had been monitoring some of these same subjects purchasing material, including: night vision devices; mine and metal detection equipment; video equipment; advanced aircraft design software; computers and communications equipment; stun guns; drilling and blasting equipment; military lensatic compasses and global positioning systems; optical equipment; laser range finders; and radar systems. An unprecedented level of cooperation from Canadian intelligence that also involved electronic methods led to the conviction of 18 individuals of a number of crimes – included material support charges.

We may never know for sure whether the Charlotte Hizballah case prevented terrorist acts or the loss of innocent lives. We do know, however, that Hizballah relied on U.S.-based

operatives and support, that some of the funds illegally sent to Hizballah overseas derived from criminal activity, and that the Charlotte cell's leader will never have an opportunity to assist this or any other terrorist group again.

These developments would not have been possible without dedicated state law enforcement officers who acted on their hunch. Nor would these successes have been possible without a strong FBI intelligence apparatus that was keeping electronic tabs on people operating in the U.S. as agents of foreign terrorist organizations. This case again demonstrates the power of international cooperation.

Other Charity Prosecutions

As terrorist organizations have been named on U.S. lists, their operatives have been forced to find other ways of raising funds. Not surprisingly, some of them have turned to U.S.-based charities. We have taken law enforcement action against some of them, including the Holy Land Foundation for Relief and Development, whose chairman is currently under indictment (along with his co-defendant, HAMAS leader Mousa Abu Marzook) in Dallas for prohibited financial dealings with terrorists). Benevolence International Foundation's Executive Director, Enaam Arnaout, recently pleaded guilty in Chicago to operating his charity as a Racketeer Influenced Corrupt Organization (RICO) enterprise and failing to tell donors that their money was being used to support violent *jihad*. A few weeks ago, Dr. Rafil Dhafir and three others were charged in Syracuse with using their charity, "Help the Needy," to illegally transfer monies to Iraq.

Prosecuting Hawala

Section 373 of the USA PATRIOT Act has emerged as a stalwart force against the operation of unlicensed money transmitters, sometimes known as *hawalas*, and is a key tool in our law enforcement arsenal where evidence of terrorist support is unavailable. Before passage of the USA PATRIOT Act, only two matters had been charged under 18 U.S.C. § 1960 ("prohibition of illegal money transmitting businesses"). Since the PATRIOT Act amendments, there have been almost two dozen persons charged, including:

- Mohamed Hussein, a representative of the al Barakaat financial network that was designated as terrorist-affiliated, who was convicted in April 2002 for operating an unlicensed foreign money transmittal business which transmitted some transmitting $3 million to the United Arab Emirates. Hussein was sentenced to 18 months in prison, followed by two years of supervised release;
- Persons affiliated with the Al-Sheiffa Family Trust, charged in Seattle with operating an underground money transfer network that is believed to have funneled roughly $13 million to Iraq; and
- Fifteen defendants in Brooklyn and three in Buffalo, charged for their involvement in illegal money transmitting business involving Yemen.

Intelligence Gathering

The intelligence gathering aspects of the terrorist financing enforcement program are likewise essential to the prevention of future terrorist acts. Suspected terrorist financiers and supporters within the United States are monitored by a nationwide program managed by the Counterterrorism Division of FBI Headquarters, with the assistance of the Justice Department's

Office of Intelligence and Policy Review and the Counterterrorism Section of the Criminal Division. This program uses all surveillance tools and methods available, including those authorized under the Foreign Intelligence Surveillance Act of 1978 to develop information on anyone in the United States believed to be acting on behalf of a foreign terrorist organization or a state sponsor of terrorism.

Classified information developed by the FBI's Counterterrorism Division is now being shared with agents and prosecutors involved in criminal law enforcement functions. This greater sharing of information is the result of statutory changes to the Foreign Intelligence Surveillance Act that resulted from the passage of the USA PATRIOT Act, along with a recent decision of the Foreign Intelligence Surveillance Court of Review, which upheld improved information sharing procedures that we promulgated within the Department. Working with FBI agents, prosecutors around the country now systematically review this intelligence with the goal of determining how best to stop the flow of funds to terrorists.

Lessons Learned

Our terrorist financing efforts so far have illustrated a number of lessons. First, terrorist supporters are adaptive, and they exploit weakness in our financial and legal systems in reaction to U.S. efforts to disrupt their operation. When the U.S. began promulgating lists of terrorists and barring financial transactions with them, the terrorist supporters almost immediately stopped their

open support and instead established or took over U.S.-based charities. Second, terrorist supporters often generate funds through fraudulent activity. Finally, a collaborative action, involving the synthesis of intelligence and law enforcement tools, cooperation between state and federal personnel, and a recognition that the terrorist financing problem knows no international boundaries is absolutely essential if we are to defeat terrorism in all of its forms.

Conclusion

To conclude, all of these cases, taken together, illustrate the interplay among a number of factors relevant to our terrorist financing criminal enforcement. The tragic events of September 11 made clear how necessary it is for us to bring these various factors to bear in our law enforcement efforts. We are now beginning to reap the benefits. Information developed in the course of foreign intelligence can now be reviewed by law enforcement personnel and, in appropriate circumstances, declassified for use in court proceedings. State and federal law enforcement are working together in counterterrorism efforts like never before. Our international partners have joined us not only to freeze terrorist assets but also to meet specific evidentiary needs in particular criminal matters. These factors were made possible by the USA PATRIOT Act and counterterrorism funds authorized by Congress. For these tools and funds, we are sincerely grateful, and the American people should be as well.

I once again thank the Subcommittee for the opportunity to describe the Criminal Division's efforts in the area of terrorist financing. I am happy to try to answer your questions.

STATEMENT OF RICHARD J. HOGLUND
INTERIM DIRECTOR, CUSTOMS INVESTIGATIONS
BUREAU OF IMMIGRATION AND CUSTOMS ENFORCEMENT
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
HEARING ON "PROGRESS SINCE 9/11:
THE EFFECTIVENESS OF U.S. ANTI-TERRORIST FINANCING EFFORTS"

MARCH 11, 2003

I. INTRODUCTION

Chairwoman Kelly and distinguished members of the Subcommittee, thank you for providing me the opportunity to appear before you today to discuss the efforts undertaken by Operation Green Quest and its role in terrorist finance. Terrorist organizations survive on their ability to raise funds and transfer them internationally to support their activities. These funds are often moved by exploiting weaknesses in domestic and international financial systems and through the use of other types of money service businesses. Operation Green Quest employs a systematic approach to identify funding mechanisms utilized by terrorist organizations. I am pleased to share with you Operation Green Quest's mission, methodology, goals and successes as they relate to terrorist financing.

Since its establishment in October 2001, Operation Green Quest has been committed to the difficult task of the identification, disruption and dismantling of organizations and systems that serve as sources of terrorist funding. From its inception, Operation Green Quest has met this mission head on.

II. OVERVIEW

Based in Washington D.C., and led by the Bureau of Immigration and Customs Enforcement, Operation Green Quest serves a command and

coordination center for terrorist-financing investigations in BICE field operations. Operation Green Quest collects, develops, manages, and disseminates leads to appropriate field offices for investigative action. As such, it is the repository for terrorist financial

investigations and is able to prioritize, identify investigative overlaps, and redirect resources to meet operational objectives.

Operation Green Quest utilizes an interagency task force approach to augment existing counter-terrorist efforts by targeting financial networks through the application of a "systems-based" approach to "follow the money." This systems-based approach, and the understanding that the financing of terrorism has always been a key component of Operation Green Quest.

In addition to the Bureau of Immigration and Customs Enforcement, Operation Green Quest is comprised of representatives from the Internal Revenue Service; Secret Service, Office of Foreign Assets Control; Financial Crimes Enforcement Network; Federal Bureau of Investigation; Naval Criminal Investigative Service; Postal Inspection Service; Bureau of Alcohol, Tobacco, Firearms, and Explosives, and the Coast Guard.

Operation Green Quest also has a component within the Bureau of Immigration and Customs Enforcement's Cybersmuggling Center. This state-of-the art center supports Operation Green Quest through a unit dedicated to the identification of web sites that promote terrorist fund raising efforts, as well as through computer forensics expertise.

Another weapon in Operation Green Quest's arsenal is a strong investigative presence in 31 foreign offices. These offices initiate investigative leads and perform critical follow-up to existing leads. The attachés also conduct outreach with foreign government and law enforcement officials.

Operation Green Quest has achieved great success in identifying and penetrating systems that fund terrorist activity, including charities and non-governmental organizations, money service businesses, and bulk cash smuggling. A great number of Operation Green Quest's successes can be attributed to aggressive outreach to the financial and trade communities. Operation Green Quest views the financial and trade communities as the frontline in identifying suspicious activity and potential financiers of terrorist activities. In order to promote a partnership between law enforcement and the private sector, Operation Green Quest has provided approximately 80 terrorist financing-related presentations to a total audience of about 5,000 individuals.

Recent examples of Operation Green Quest successes include: in December 2002, 21 search, seizure and arrest warrants were executed on money service businesses in Detroit; in Seattle 36 search and six arrest warrants were executed on illegal wire emitters; and in Los Angeles, as a result of an outbound seizure of $280,000 in bulk currency, three search warrants were executed resulting in one arrest and the seizure of approximately $2.2 million.

Simply stated, Operation Green Quest attempts to identify suspicious financial activities that may be indicative of terrorist-financing, as well as financial and trade systems that are susceptible to exploitation by terrorist financiers.

Green Quest sees is the mechanism through which those who endeavor to harm our country are denied access to the systems used to generate and move funds in support of their terrorist activities. As a result, Operation Green Quest takes full advantage of the combined statutory authorities available to its task force members. Operation Green Quest will utilize both traditional financial violations of law as well as other Federal statutes such as counterfeiting, fraud, and failure to register as a money service business to achieve this goal.

In addition to its investigative efforts, Operation Green Quest has coordinated with the Bureau of Customs and Border Protection to target efforts to illegally export bulk currency out of the United States. These initiatives have focused on identifying and disrupting the various methods used to smuggle bulk currency and negotiable instruments that may be used in support of terrorist finance. As a result, approximately $22 million have been seized, $14 million of which was destined to countries of concern.

Operation Green Quest has utilized existing resources as a means to accomplish its mission. As a result of Operation Green Quest successes, 15 dedicated Green Quest investigative groups in 13 key geographic areas have been established through the reallocation of existing resources. In addition, the Green Quest command and coordination center will expand to create specialized units to address specific systems vulnerable to terrorist financing.

III. CLOSING

In conclusion, I would like to thank the distinguished members of this committee for the opportunity to appear before you today, and will be glad to answer any questions you may have.

TESTIMONY
OF
JOHN F. MOYNIHAN
LARRY C. JOHNSON
BEFORE THE
HOUSE COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
HEARING ON
"PROGRESS SINCE 9/11: THE EFFECTIVENESS OF
U. S. ANTI-TERRORIST FINANCING EFFORTS"
MARCH 11, 2003

Madame Chairwoman and members of the committee we want to thank you for inviting us to be with you today at this very important hearing. The last time we appeared before the committee was on October 3, 2001, just a few weeks after the tragic events of September 11th and like most Americans we were eager to find a way to help the Government respond to the terrorist attacks.

For the record my name is Larry Johnson and seated with me here on the panel is my business partner, John Moynihan. I am a former CIA analyst and State Department counter-terrorism official, and Mr. Moynihan, with an MBA in international finance, is a former DEA Intelligence analyst. He was later recruited by the Drug Enforcement Administration (DEA) and was assigned to the New York Division, where he implemented and coordinated Sensitive Undercover Operations, which focused on international drug money laundering. After four years at DEA he joined an international accounting and consulting firm, where he helped develop the forensic accounting section, which offered clients products and services related to money laundering prevention and detection. After two years with the accounting firm, he decided to go out on his own and together with me, he started this company, BERG Associates LLC with our third partner, Robert Nieves, a former DEA Senior Executive.

As the Committee and staff are aware our expertise lies in international terrorism, forensic accounting and the financial analysis of criminal activity. Through our experiences in and out of government, we have conducted money laundering and product counterfeiting investigations for the US Government and for U.S. financial institutions and corporations that encompass both international and domestic financial transactions. We have first hand experience working in areas such as the Colon Free Trade Zone in Panama and have seen how merchants with ties to terrorist organizations use the infrastructure of the U.S. financial system to launder money and hide resources.

We appear before you today to discuss the progress in the war on terrorist finances and to highlight some specific problem areas we are seeing in our field work. Based on our experience we know that terrorism cannot thrive nor flourish without money. Money may not make the world go round, but it is a critical resource for any group intent on carrying out international terrorist attacks. Building a car bomb or hijacking a plane may not be as expensive as constructing an aircraft carrier, but terrorism still requires a solid

financial base. Terrorists are not born, rather they are made. The making of a terrorist requires a place to train, qualified instructors, access to weapons and explosives, and the time to devote to this activity without having to worry where the next meal is coming from.

Beyond the costs of recruitment and training, international terrorism also confronts the problem of logistics. When an international terrorist travels from one country to another country to carry out an attack they must use some form of public transportation or walk. Terrorist groups do not have their own air force or navy. Travel using planes, trains, ships, or automobiles requires money. Once in place the terrorist still has to cope with the mundane tasks of paying for daily living expenses and local transportation.

Prior to 1991, most of the active terrorist groups relied on nation states, chiefly the Soviet Union, Iran, Iraq, Libya, Syria, and Cuba, for financing and materiel assistance. The collapse of the Soviet empire in 1991 and international sanctions imposed on Libya for its role in bankrolling the bombing of Pan Am 103 led to a rather dramatic reduction in funds for many terrorist groups. Faced with a cash crunch many terrorist groups turned to a variety of activities, including organized crime, as a way to stay alive. Groups such as the Revolutionary Armed Forces of Colombia and the Kurdish Workers Party of Turkey turned to drug trafficking as one way to keep funds flowing in.

Nonetheless some countries continue to bankroll terrorists—principally Iran, Syria, and Iraq. We think it is important to highlight the fact that Iraq continues to provide financial support, safe haven, training, or weapons and explosives to groups or individuals that carry out terrorist attacks. While the links to Al Qaeda may be tenuous, there is incontrovertible evidence of Iraqi support for Palestinian terrorist groups. From 1991 thru 2001 there were 4143 international terrorist attacks throughout the world. Saddam Hussein and his regime were implicated in at least 73 of these incidents, which accounted for fewer that two hundred fatalities. According to Central Intelligence Agency data, there is no credible evidence implicating Iraq directly in any mass casualty terrorist attacks since 1991. As reported in Patterns of Global Terrorism 2000, Saddam Hussein's regime "has not attempted an anti-Western terrorist attack since its failed plot to assassinate former President Bush in 1993. However, Iraq continued to aggressively target and attack anti-regime opponents and UN personnel working in Iraq."

Iraq has directed most of its support for terrorism to groups that have attacked Iran and Israel. The United States Government accuses Iraq of providing sanctuary and/or assistance to several groups which include:

- Arab Liberation Front
- Palestine Liberation Front (PLF & Abu Abbas)
- Abu Nidal (ANO)
- 15 May (Abu Ibrahim)

The **Arab Liberation Front (ALF)** is part of the PLO. The ALF, like the other factions of the Palestine Liberation Organization, left Lebanon in a US-brokered deal after Israel's

1982 invasion of Lebanon. Many ALF combatants ended up in Baghdad. The ALF continues to funnel money to Palestinians who carry out terrorist attacks against Israel.

The **Palestine Liberation Front (PLF)** split with the PFLP-GC in the mid-1970s. It subsequently split again, according to the U.S. State Department, into pro-PLO, pro-Syrian, and pro-Libyan factions. The pro-PLO faction, led by Muhammad Abbas (Abu Abbas), established a presence in Baghdad. Abbas's group was responsible for the October 1985 hijacking of the Achille Lauro cruise ship. The PLF also launched a failed 1990 seaborne raid against Israel. This group continues to focus its wrath on Israel. During 2002 Israel recovered documents and arrested PLF members who testified that had received military training for terrorist operations in Iraq.

Abu Nidal Organization (ANO) was one of the most active and deadly terrorist groups in the 1970s and 1980s. Its leader, Sabri Al-Banna masterminded attacks that included the December 1985 Rome and Vienna airport massacres, the September 1986 hijacking of Pan Am Flight 73, and the July 1988 assault on the City of Poros day-excursion ship. During the 1990s ANO dramatically scaled back its activities and was implicated in only two terrorist attacks, with the last one occurring in 1995. Al-Banna disappeared from public view after seeking refuge in Baghdad in 1998, but resurfaced in August 2002 with the news that he shot himself several times in a successful "suicide" attempt while resisting Iraqi agents who were trying to arrest him.

The **15 May Organization,** led by Muhammad al-Umari (aka Abu Ibrahim), was formed in 1979 and disbanded in the mid-1980s. 15 May was implicated in the 1981 bombings of El Al's Rome and Istanbul, the August 1982 bombing of a Pan Am flight from Tokyo to Honolulu, and attacks against the Israeli Embassies in Athens and Vienna. It has not been linked to terrorist attacks since 1984. Abu Ibrahim reportedly still lives in Iraq.

Israel has been the major target of Iraqi sponsored terrorism. Iraq's funding and training of members of the **Popular Front for the Liberation of Palestine-General Command (PFLP-GC)** and the **PLF** now is beyond dispute. Documents seized by Israel in raids against Palestinian Authority offices in the West Bank during 2002 detail Iraq's funding of Palestinian terrorism. Israeli officials provided CBS 60 Minutes correspondent Leslie Stahl documents in September showing that Saddam's closest deputy, Vice President Taha Yasin Ramadan, personally signed checks made out to Palestinian terrorist leaders who had organized suicide-bombing attacks. The captured documents included ledgers of "martyrs" who carried out suicide operations against Israel, showing how much and when each was paid and the number of the check. It included internal memoranda, computer disks, hard drives, videotapes and bank statements.

Terrorists have taken the initiative in seeking alternative funding sources. An extensive and compelling body of evidence shows that some of the more sophisticated and lethal terrorist groups have engaged in a web of financial activities that are as complex as any carried out by any multi-national corporation. The spectrum of activity ranges from criminality to legally constituted businesses.

The evidence accumulated since the attack of 9-11 shows that Al Qaeda and Hezbollah have been particularly adept at using petty crime and low profile felonies as a means to earn a living. Al Qaeda operatives in Canada and Europe, for example, have engaged in

credit card theft, robbery, and identity theft. Some groups with ties to the Middle East are stealing coupons from newspaper inserts and redeeming these coupons for cash that is then sent overseas. In a recent case in North Carolina involving Hezbollah operatives smuggling cigarettes police discovered that some of the key individuals in this scheme had substantial rap sheets. They had not been prosecuted previously because the crimes were viewed as "nuisance" crimes that did not merit the limited resources of the local prosecutor. Clearly, some of the terrorists are counting on leniency by the U.S. judicial system in order to carry out their nefarious activities. By engaging in "low priority" albeit profitable, criminal activity they often remain under the law enforcement and intelligence communities' radar.

Terrorist groups have also used charitable organizations as a device to move funds. The Bush Administration has scored some major successes in disrupting groups such as the Benevolence International Foundation, Global Relief, and the Quranic Literacy Institute. The case of the Quranic Literacy Institute (QLI) highlights how the money laundering techniques of structuring and "cut-outs" are used to put money in the hands of terrorists. Unlike traditional money laundering, which starts with a predicate crime such as drug trafficking, groups like Hamas, Hezbollah and Al Qaeda have used legally constituted charitable organizations to obtain funds or to move funds. In the case of the QLI, more than $1 million was channeled in through the charity or someone allegedly acting on its behalf. These funds subsequently were used for terrorist operations in Israel.

Madame Chairwoman, this concludes my portion of the testimony, I would now like to turn over the testimony to my partner John Moynihan who will discuss in detail a vulnerability in our nation's financial system that criminals and terrorists are exploiting.

On the occasion of our last appearance before the committee I testified about BERG's experiences with and understandings of the numerous informal financial systems that operate around the globe. At that time the committee had great interest in hearing about my experiences with Hawalas, the Black Market Peso Exchange and other "parallel money markets" and how money moves in these underground financial systems. We helped shed light on ways to implement programs to stem the flow of illicit dollars within criminal terrorist groups, like "Al Qaeda".

The committee may recall that I specifically recommended that "A federal law criminalizing the act of engaging in money exchanging without a license needed to be adopted." Indeed, the PATRIOT ACT, enacted just a few months later modified the law (section 1960 of Title 18 US Code) making it a more important and effective tool for use in the prosecution of "unlicensed money remitters". We would like to applaud the actions of the committee in moving that legislative amendment forward and making the law a more effective tool to combat international organized crime and terrorism. Likewise, we would like to applaud the efforts of the various federal law enforcement agencies, which have aggressively investigated and penetrated these "hawalas" and "black market financial systems" over the past 18 months. You should know that our work as a government contractor brings us into close personal contact with federal investigations from a variety of federal agencies and we can personally assure the

committee that good use is being made of Title III of the PATRIOT ACT. Important investigations are being conducted and significant advances in the war against organized crime and international terrorism are being made using the recommendations made within these chambers on section 1960 of Title 18 US Code.

With that said, more needs to be done.

Today we would like to address another important area of international money movement, which in our experience has proven to be a very effective means of laundering criminal proceeds internationally, that being, the use or more correctly, abuse of "Cash Letters", sometimes referred to as an "International pouch".

So, what is a "Cash Letter?"

In layman's terms, a "cash letter" is an inter-bank transmittal letter that accompanies checks or cash instruments sent from one bank to another internationally. Large banks receive cash letters on a daily basis from correspondent banks. These cash letters can often contain hundreds or thousands of checks that are bundled together and sent to the correspondent bank for collection. Once received the checks must be sorted and processed and ultimately forwarded to the payee banks for collection. Checks are often routed through the Federal Reserve System, other banks or regional check processing centers for collection. In short, the Cash Letter agreement between banks is a depository action that is in place to ensure that foreign banks get paid for checks that they accept for deposit from abroad.

In recent years, we have personally noticed an increase in the use of "Cash letters" as a vehicle for International money laundering. As wire transfers and other forms of traditional laundering have come under increased scrutiny and regulation, organized crime groups and terrorists have turned to other methods of moving their money internationally. Consequently, the international movement of bulk quantities of personal checks now figures prominently in money laundering or money movement schemes.

First, some relevant background: Banks open accounts for other banks; these are known as correspondent accounts. These correspondent accounts are used for the movement of funds between banks. Many times, the correspondent will send monetary instruments from their overseas locations to the United States to be deposited into their correspondent bank accounts. Those checks, money orders, cashiers checks etc. are accompanied by a deposit slip that details the value of the instruments with a date and the accompanying checking account number the funds are to be deposited into. This is the essence of the cash letter; it is very much a hard copy transaction.

These cash letters are sent to designated areas of the bank for processing. Some banks handle as many as five to seven million checks a day for processing. Therefore, when these cash letters are delivered to the banks by shipping companies in pouches and overnight bags, it would be extremely difficult to ensure that those instruments are not the subject of or facilitating money laundering.

How do these instruments end up in the hands of the correspondent banks abroad? There are many ways in which this can happen. As an extension to the last time we were here regarding 18 USC 1960 involving unlicensed money remittances, many persons seeking to send monies abroad will send dollar denominated checks to beneficiaries in foreign countries. These beneficiaries will then present them at a bank in their home country. The local bank receiving the checks will then establish a credit balance for the depositor who presented the checks in the local currency. When the account holder seeks to liquidate the deposit and use the local currency he is free to do so at his discretion. This is an example of how the beneficiaries receive the funds abroad and are not identified as they would be if a wire transfer had been used.

Once the checks are in the foreign bank, the bank wants to get credit for them. Therefore they initiate a package delivery to be sent to their correspondent in the United States. The correspondent receives the package of instruments (the cash letter) and credits the correspondent account in U.S. dollars.

How then are these cash letters used in a money laundering scenario? Through our work we have seen many examples where cash is structured using money orders.

1. Persons buy multiple money orders at or below $10,000 or even given current regulations at or below $3,000. The sum total of the purchases of money orders is in excess of $10,000. Given this, it would be necessary to file a Cash Transaction Report. The act of purposefully purchasing the money orders in denominations below reporting thresholds to by pass the filing of a cash transaction report is structuring.

2. These structured money orders are now sent to a foreign location. The receiver accepts delivery of these money orders abroad. This person proceeds to his local bank. He presents these U.S. denominated money orders to his bank for deposit. The foreign bank accepts the money orders and credits his account for the equal and offsetting value in the local currency.

3. The receiving bank now will seek to obtain credit for these money orders. They will present these money orders back to their correspondent bank in the United States. The reason they bring these checks back to the United States is because the checks are denominated in U.S. dollars. Once these checks are presented to the bank in the United States, the foreign bank is credited into their correspondent account.

4. The United States bank will now process these checks. They will use a variety of systems to send the checks back to the issuing banks. The structured money orders will be eventually sent back to the bank or vendor issuing them.. Thus the complete cycle of the structured purchasing of money orders being sent to a foreign bank for credit and the eventual return to the United States of those checks has been completed.

There are many other examples of how "bad" money in the form of checks moves through the cash letter product. Many checks that float in the black markets around the world end up in these correspondent accounts from the deposits of cash letters. Checks

with two or maybe even three different styles of hand writing dated five or six months earlier than the deposit date are clear indicators of black market operations. Sometimes personal checks are presented where amounts of $9,990 and other amounts close to $10,000 are included in the deposits. Again, the amounts are indicative of attempts to evade reporting requirements. Some checks do not even have payees indicated and third parties purchase these checks, stamp them with their own name and then deposit them. The return of all of these checks to the United States correspondent is done through the cash letter process.

To be sure, the cash letter business involves billions of dollars in checks that originate in U.S. based banks. . Monitoring these millions of checks manually is a daunting if not impossible task. Given this, money launderers and terrorists exploit this lack of monitoring for their particular interests. This is the latest issue that I feel needs to be addressed as a new and important element of a comprehensive anti-money laundering strategy.

RECOMMENDATION:

The federal government should immediately conduct a review of the "cash letter" money laundering connection in money center banks and large correspondent banks and propose rules that would require those correspondent banks to monitor cash letter transactions for suspicious activity.

A vigorous monitoring program would identify and stop payment on suspicious instruments, thereby taking the profit out of the activity and making it difficult for suspect money to move through the system. Additionally, it would identify those overseas banks who are the most egregious offenders and put them on notice that they need to cease and desist their activities. If necessary and warranted, repeat offenders could be fined, sanctioned or lose their ability to bank through the United States.

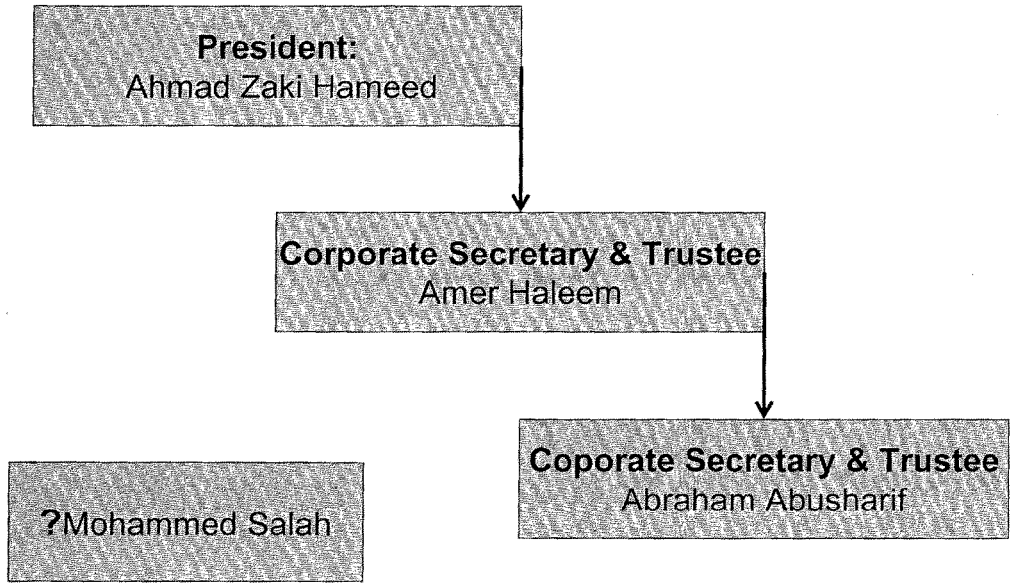
CLOSING THOUGHTS:

Madame Chairwoman, we want to thank the committee for this opportunity to address you. It is our hope that we have shed light on a new and emerging area of money laundering that needs to be checked and controlled. We know that this system is being abused by Organized Criminal groups not only from Latin America but also from the Middle East and, although we cannot state for the record, that these individuals have connections to Al Qaeda or other terrorist organizations, we can say unequivocally that the money is the proceeds of criminal activity. We know that terrorists do exploit loopholes like this. We believe that criminals from all backgrounds are manipulating this cash letter system and the system is growing larger by the day. The crisis that we find ourselves in today, with respect to international criminal money movement, has been growing for some time. It seems that when we put pressure on one aspect, like wire transfers, we find that they adapt and seek other methods of money movement. We have no doubt that terrorists use this system much the same as other criminal groups. We believe that terrorists do not need to create a new system to move their money; rather

they create and find new relationships with other international criminals, which allow them to expand their capabilities. In short, the sooner we get our arms around this abuse of the cash letter system, the sooner we will be able to identify those overseas institutions that are part and parcel of the problem.

Thank you Madame Chairwoman. We will be more than happy to answer any questions that you or members of the Sub-Committee may have at this time.

QURANIC LITERACY INSTITUTE



QLI Suggests Property Purchase

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Bids $820,000 for Woodbridge Property (May 1991).

Saudi citizen Yassin Kadi (owner of Kadi International)
Wires $820,000 to Golden Marble (July 19,1991).

Golden Marble (G.M.) sends three checks to QLI worth
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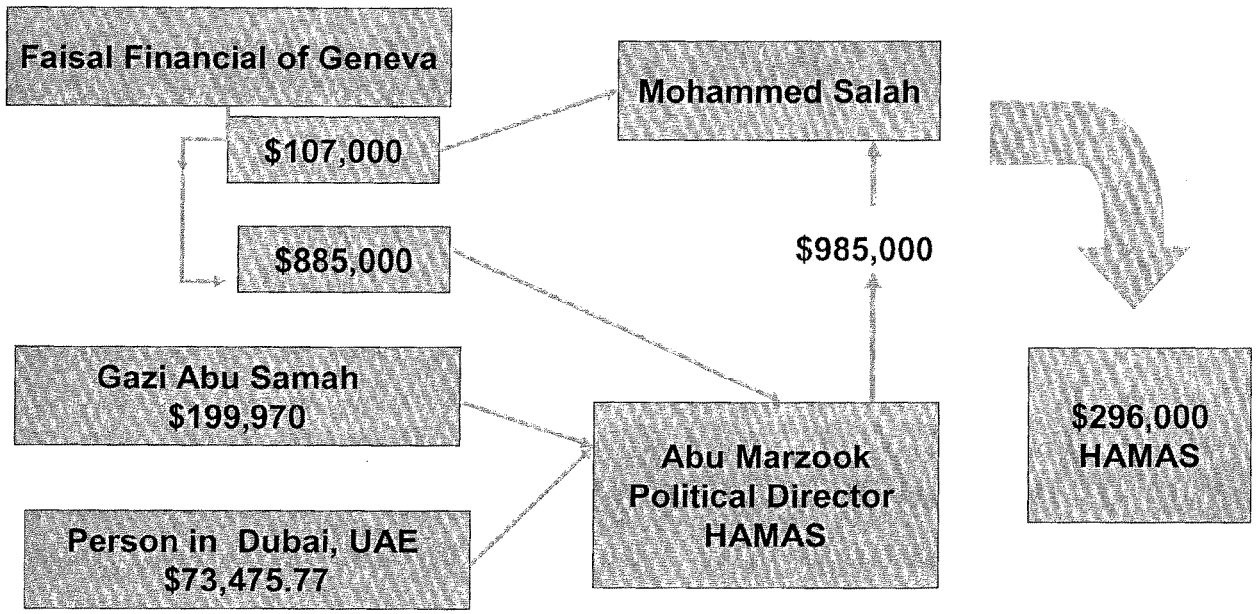
QLI Endorses checks from G.M. to 3rd Party
(March 1992).

Money Movement to HAMAS



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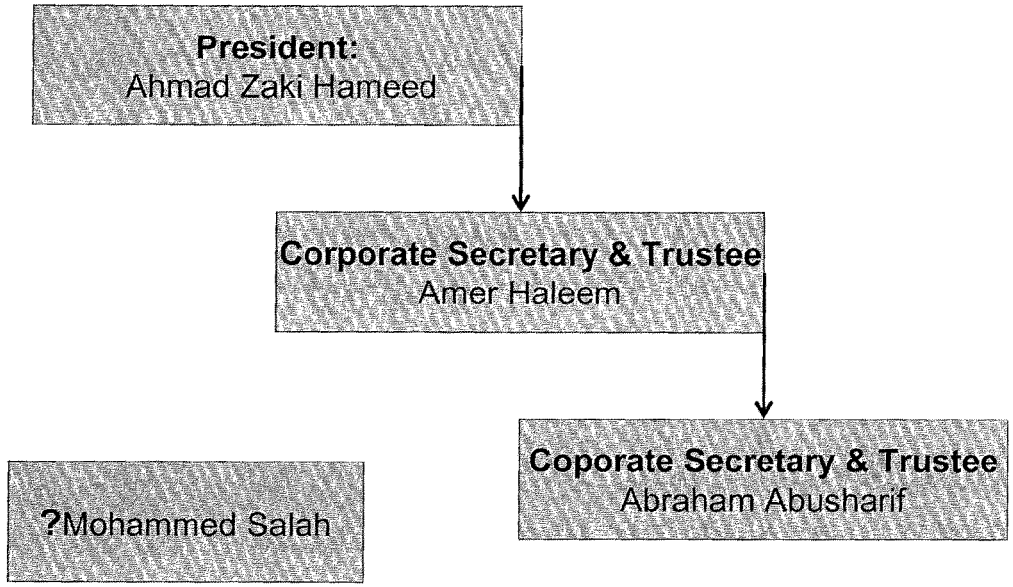

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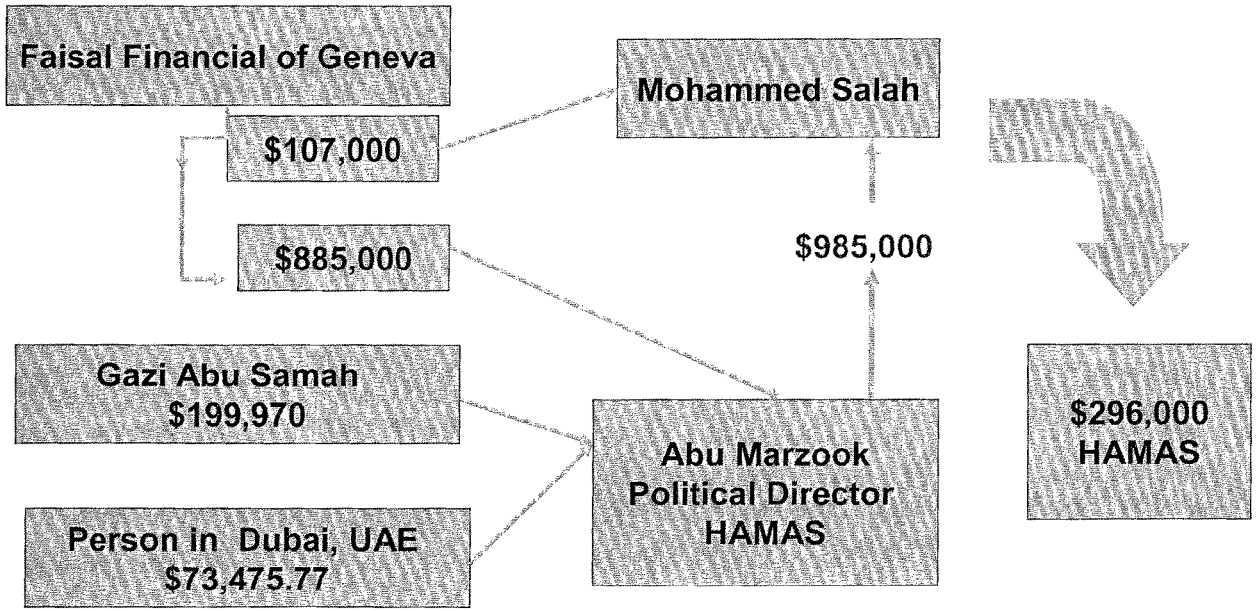

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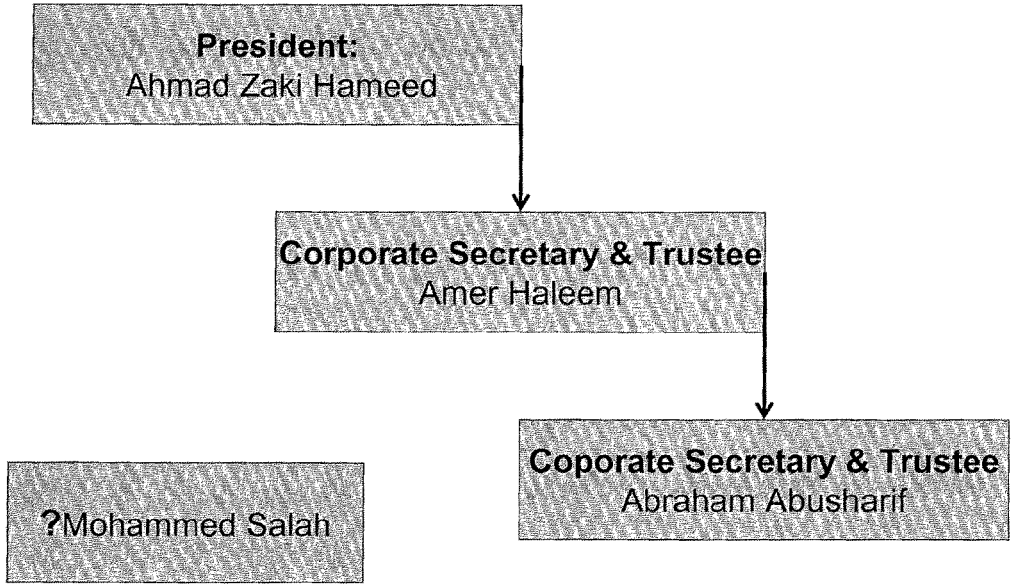

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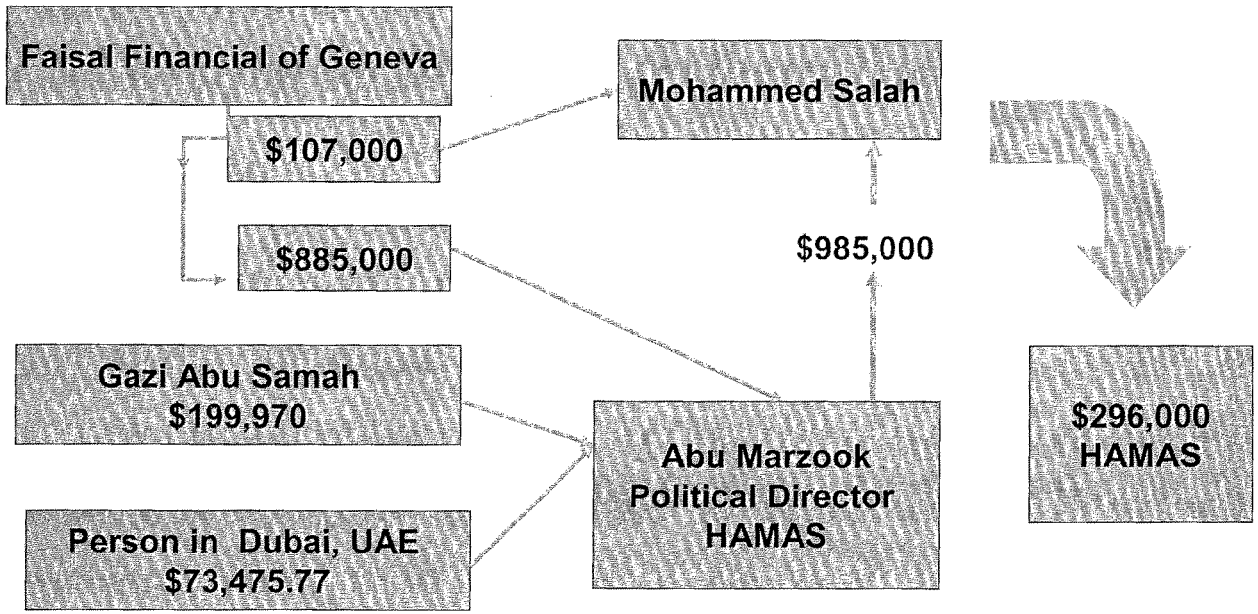

Statement of James F. Sloan
Director
Financial Crimes Enforcement Network
U.S. Department of the Treasury
before the
Subcommittee on Oversight and Investigations
Committee on Financial Services

March 11, 2003

Madam Chairwoman, and members of the Subcommittee, thank you for this opportunity to appear before you today to discuss the Financial Crimes Enforcement Network's (FinCEN) role in combating money laundering and the fight against terrorist financing.

FinCEN's role in this effort was significantly expanded in the eighteen months following the terrorist attacks on the World Trade Center because of its mission-oriented focus on facilitating information-sharing and networking amongst the law enforcement, regulatory and financial communities and with similar units worldwide. The recent formation of the new Executive Office for Terrorist Financing and Financial Crimes (EOTF/FC) within the Department of The Treasury further underscores the value of FinCEN's support to law enforcement in identifying and tracking the financial aspects of terrorist and other criminal activity. FinCEN welcomes the establishment of this important office, which will be responsible for providing policy guidance to our bureau as we execute our responsibilities as Administrator of the Bank Secrecy Act (BSA). It will be headed by Juan Zarate, Deputy Assistant Secretary for Terrorist Financing and Financial Crimes. Mr. Zarate worked closely with our bureau in his former capacity as Deputy Assistant Secretary for Terrorism and Violent Crimes, within the Office of Enforcement, and we look forward to a continuance of that excellent working relationship.

My statement today will update the committee on FinCEN's programs, as well as the significant progress we have made in meeting our obligations under Title III of the USA Patriot Act.

Mission

FinCEN was established, in April 1990, by the Department of the Treasury (Treasury Order Number 105-08) to provide a government-wide, multi-source intelligence and analytical network. This network was designed to support the detection, investigation, and prosecution of domestic and international money laundering and other financial crimes. In May 1994, FinCEN's operation was broadened to include regulatory responsibilities and, in October 2001, the USA PATRIOT Act elevated FinCEN to bureau status.

Today, FinCEN is one of our Government's primary agencies to oversee and implement policies to prevent and detect money laundering and other financial crimes. It is a strategically focused bureau organized to network governments, people and information in support of both the law enforcement and intelligence communities. This increasingly dynamic network links the law enforcement, financial and regulatory communities domestically and internationally together for the common purpose of preventing, detecting, and prosecuting financial crime. Information sharing, analysis and networking are the key objectives in accomplishing our mission from a neutral vantage point. In fact, FinCEN's neutral posture and customer service orientation are vital elements to our success.

FinCEN works to accomplish this mission in three ways.

First, as administrator of the Bank Secrecy Act (BSA), our nation's comprehensive anti-money laundering statute, FinCEN obtains certain data from financial institutions. The law's record keeping and reporting requirements help establish a financial trail for law enforcement to follow as they track criminals, their activities, and their assets.

Second, FinCEN's intelligence analysts add value to the information collected under the BSA by uncovering leads and hidden pieces of the puzzles contained in money laundering schemes – schemes that can be highly convoluted as well as global in scope.

And finally, through technology and partnership building, these value-added products are disseminated and networked, as appropriately and as rapidly as possible, to the law enforcement, intelligence, regulatory, and financial communities. Special attention is placed on providing feedback to the regulated industries through various publications and forums (FinCEN Advisories and Bulletins, SAR Review, Bank Secrecy Act Advisory Group Meetings) by highlighting the value of the information they are providing to law enforcement.

In fact, on September 13, 2001, just two days after the horrific attacks on our nation, FinCEN's expertise in money laundering and financial crime was quickly recognized and we were requested by law enforcement to provide immediate assistance to the investigation. The agency was well positioned to act quickly to this request because our programs already had been designed to provide exactly the type of comprehensive, interagency information analysis, sharing and support that is now needed in this nation's war against terrorism.

Law Enforcement Support

Law enforcement's need for value-added assistance on financial information is supported primarily through our Office of Investigations (OIV) and the Office of Strategic Analysis (OSA). OIV's programs are divided into two primary components: (1) Direct Case Support – consisting of an in-house staff of experts who respond to

requests for data searches and analysis by law enforcement; and, (2) Indirect Case Support – made up of two programs known as Platform and Gateway. In addition, FinCEN develops proactive targeting packages for law enforcement through OIV and the Office of Intelligence Liaison (OIL). OIL was established in late 1999 to proactively identify, through BSA data, clues or leads for law enforcement on possible terrorist-related finances and activities.

Direct Case Support

FinCEN's flagship program is its direct case support to approximately 300 law enforcement agencies. Through the use of advanced technology and numerous data sources, we link together various aspects of a case by adding value to what is already known by investigators. This ability to link to a variety of databases provides one of the largest repositories of information available to law enforcement in the country. Since 1990, we have provided support to more than 105,000 cases involving over 400,000 subjects to federal, state, local, and international law enforcement agencies.

Indirect Case Support

Both Platform and Gateway continue to be increasingly successful programs by permitting others to take advantage of our analytical and technological resources while using their own personnel. OSA adds further value to BSA data through trends and patterns analysis. This dual approach to maximizing the information contained in BSA data enables FinCEN to more efficiently meet the growing needs of our customers.

Identifying Financial Crime Trends and Patterns

The Office of Strategic Analysis provides analytical support to law enforcement and the intelligence community, through identification of trends, patterns and issues associated with money laundering and other financial crimes. BSA information, especially suspicious activity reports (SARs) filed by the nation's financial industries, is the foundation for developing our analytical products.

For instance, FinCEN just issued the 5th Suspicious Activity Report (SAR) Review -- Trends, Tips and Patterns in February 2003. This report specifically focuses on terrorist financing methods through Informal Value Transfer Systems (IVTS) such as hawalas, as well as through non-profit organizations. Also included in the report are several case summaries in which SARs and other BSA information played an important role in the success of an investigation and/or prosecution of criminal activity.
(A copy of the report can be found on FinCEN's website at www.fincen.gov.)

The term IVTS is used to describe money or value transfer systems that operate informally to transfer money. In the past, some of those informal networks were labeled by various terms including "alternative remittance systems" and "underground banking." Depending on the ethnic group, IVTS can be referred to as "hawala" (Middle East,

Afghanistan & Pakistan); "hundi" (India); "fei ch 'ien" (China); "phoe kuan" (Thailand); and "Black Market Peso Exchange" (South America).

For example, in some nations hawalas are illegal and in others they are active but unregulated. Therefore it is difficult to accurately measure the total volume of financial activity associated with the system. However, it is estimated that, at a minimum, tens of billions of dollars flow through hawalas and other informal value transfer systems on an annual basis. While the majority of IVTS activity is legitimate in purpose, some of these systems have been used to facilitate the financing of terrorism. The very features that make the systems attractive to legitimate customers – efficiency, convenience, trust, speed, anonymity, and lack of a paper trail – also make it appealing to terrorists and terrorist organizations.

Under the USA PATRIOT ACT, hawalas and informal value transfer systems are required to register as a money services business or MSB, thereby subjecting them to existing money laundering and terrorist financing regulations, including the requirement to file SARs. The Act also makes it a crime for the money transfer business owner to move funds that he knows are the proceeds of a crime or are intended to be used in unlawful activity. Failure to register with FinCEN and/or failure to obtain a state license also are federal crimes.

In the next few days, we will publish a FinCEN Advisory to further educate the financial community to potential vulnerabilities of IVTS in terrorist financing.

Strengthening International Cooperation

Recognizing the global nature of crime and the fact that the financial trail of U.S. law enforcement investigations often leads to other countries, FinCEN has been a key player in encouraging and working with other countries to develop effective anti-money laundering standards and mechanisms to further the exchange of information. In particular, FinCEN has been focusing on helping to promote the financial intelligence units (FIU) known as the Egmont Group. The international community's response has been increasingly cooperative and membership in Egmont has grown from a handful of members in 1995 to the current membership of 69 countries.

Since September 11, 2001, the Egmont Group has taken steps to leverage its information collection and sharing capabilities to support our country in its global war on terrorism. Last October, FinCEN hosted a special Egmont Group meeting that focused on the FIUs' role in the fight against terrorism. In conclusion, the FIUs agreed to: (1) work to eliminate impediments to information exchange; (2) make terrorist financing a form of suspicious activity to be reported by all financial sectors to their respective FIU; (3) undertake joint studies of particular money laundering vulnerabilities, especially when they may have some bearing on counter terrorism, such as hawala; and (4) create sanitized cases for training purposes.

Regulatory Area

In order to effectively administer the BSA, FinCEN relies on its regulatory partners – the five federal banking regulators (the Federal Reserve Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration), the Internal Revenue Service (IRS), the Securities and Exchange Commission, and the Commodities Futures Trading Commission. Each financial regulator administers its own anti-money laundering regulations and is responsible for the examination of those financial institutions within its respective jurisdictions regarding compliance with the BSA and the implementation of effective anti-money laundering programs. Non-compliant institutions may be referred to FinCEN for enforcement action in appropriate circumstances.

On March 6, 2003, FinCEN assessed a civil money penalty against Western Union Financial Services Inc. ("Western Union" or the "Company") in the sum of $3,000,000 for violations under the BSA. FinCEN determined that from January 1, 2002, through October 8, 2002, Western Union failed to file 662 SARs for structured transactions in violation of 31 U.S.C. §5318(g) and 31 CFR 103.20. The assessment includes a comprehensive undertaking by Western Union to ensure that its SAR monitoring system appropriately recognizes structured transactions, to file all SARs nationwide that should have been filed, and to maintain appropriate due diligence oversight with respect to its agents.

In January 2003, Banco Popular was charged with one count of failing to file Suspicious Activity Reports (SARs) in violation of Title 31 USC 5318(g)(1) and 5322(a). Banco Popular waived indictment, agreed to the filing of the information, and accepted and acknowledged responsibility for its behavior in a factual statement accompanying the information. The company will forfeit $21.6 million to the United States to settle any and all civil claims held by the government. In light of the bank's remedial actions to date and its willingness to acknowledge responsibility for its actions, the government will recommend to the court that any prosecution of the bank on the criminal charge be deferred for 12 months, and eventually dismissed with prejudice if the bank fully complies with its obligations. Concurrently, FinCEN has assessed a $20 million civil money penalty for violations of the Bank Secrecy Act against Banco Popular for its conduct, which will be deemed satisfied by the payment of the $21.6 million forfeiture.

These enforcement actions are posted on FinCEN's website and serves to further notify and educate the financial community at large of BSA violations of a serious nature.

One of FinCEN's primary responsibilities in administering the BSA is to conform its regulations to legislative mandates – mandates that reflect the changing realities of money laundering vulnerabilities within the financial community. For example, prior to the passage of the USA PATRIOT Act, we were in the process of expanding certain provisions of the BSA such as a broker/dealer SAR rule to financial sectors beyond the 21,000 depository institutions. Simultaneously, we were focusing on the implementation of a program for the money services business (MSB) industry, believed to number about

200,000 entities, as well as the casino industry. This effort was significantly accelerated by the passage of the USA PATRIOT Act. That universe now includes travel agencies, automobile and boat dealers, jewelry dealers, pawnbrokers, life insurance companies, mutual funds, operators of credit card systems, and certain segments of the securities and futures industries.

USA PATRIOT Act of 2001

This Committee recognized the need to expeditiously make additional tools available to law enforcement to fight money laundering and terrorist financing. It was the driving force behind the USA PATRIOT Act. This prompt action underscored the importance of pinpointing the nexus between crime and its associated financial activity in order to uncover valuable leads by building a financial trail. The Act's expansion of the scope of the BSA resulted in a dramatic increase in FinCEN's responsibilities, under BSA authorities. FinCEN was directed to implement 23 of the 44 provisions contained in Title III and also has a key role in many of the working groups established by Treasury to address many of the other provisions.

I would like to to highlight the progress FinCEN has made to date on implementing many of these provisions. (See attached chart on accomplishments under the USA PATRIOT Act.)

Expanding the Requirements of Anti-Money Laundering Programs to more Financial Institutions

Section 352 requires all financial institutions, as defined by the BSA, to establish anti-money laundering programs, and authorizes FinCEN to issue regulations defining minimum standards for such programs, or alternatively, for institutions not already subject to BSA regulations, to exempt them. This is a potentially huge number of entities, many of which have never been subject to federal regulation aimed at their specific lines of business.

Our initial challenge was simply to define what these categories of entities included. There was almost no guidance in the legislative history of the BSA. FinCEN chose a risk-based approach – focusing first on traditional financial institutions, relying on existing regulatory programs already in place, and then expanding outward to the next group to try to first cover the most likely places a money launderer would go. Casinos were already subject to an anti-money laundering program rule issued by FinCEN. Banks were subject to anti-money laundering program rules issued by the five federal bank regulators. Building on this approach, we worked with the self-regulatory organizations (SROs) for broker-dealers and commodities futures merchants to craft a rule that the SROs could incorporate into their regular compliance examinations. The rules were in place and approved by the SEC and Commodities Futures Trading Commission by the USA PATRIOT Act deadline on date. In April 2002, we issued a rule that compliance by all these entities with the existing anti-money laundering program rules would be deemed compliance with Section 352.

At the same time, FinCEN and the Treasury Department targeted several industries for inclusion in the first wave of rulemaking – rules known as interim final rules, that would be effective without notice and comment, but which would provide an opportunity to those interested to submit comments. These were: money services businesses, mutual funds, and operators of credit card systems. It should be noted that there are no exemptions in the money services businesses rule.

Issuers and redeemers of stored value which had always been subject to CTR reporting, were now also included in other BSA regulations such as SAR reporting. With respect to the mutual fund rule, we are continuing our practice of partnering with federal functional regulations by delegating responsibility for compliance examinations to the SEC. The credit card operator rule applies to companies like Master Card and VISA that license others to issue their cards. It focuses on the areas of their business where the money laundering risk appears to be greatest – their authorization of foreign banks to issue their card. The rule imposes due diligence requirements on the operators, particularly with respect to countries that have poor anti-money laundering controls. These rules were all issued in April 2002. A decision was made to temporarily exempt the remaining financial institutions while a study is conducted on these industries.

In September 2002, FinCEN issued proposed rules mandating anti-money laundering compliance programs for life insurance companies and unregistered investment companies. The life insurance rule reflected our assessment that the money laundering risks in the insurance industry were concentrated in the products offered by life insurers, including annuities. The unregistered investment company rule encompasses what are commonly known as hedge funds, private equity funds, commodity pools, and real estate investment trusts. The comment period on these rules has closed and they are being finalized. In February 2003, we published a proposed rule that would require dealers in precious metals, stones and jewels to implement anti-money laundering programs, and also published two advance notice of proposed rulemaking seeking comment on whether anti-money laundering program requirements should be extended to vehicle sellers and travel agents.

SAR Rules

Expansion of SAR requirements to industries where such reporting can be a valuable aid to law enforcement has been a priority, whether or not specifically required by the USA PATRIOT Act. On July 1, 2002, FinCEN issued a final SAR rule requiring broker-dealers to report suspicious transactions involving at least $5,000 (the same threshold as for banks). On September 26, 2002, FinCEN issued a final rule requiring casinos to report suspicious transactions at the same threshold. Although the casino rule was not mandated by the Act, we believed the industry was important to cover. In October 2002, FinCEN published a proposed rule that would require life insurance companies to file SARs, also at the $5,000 threshold. The comment period has closed on that rule and it is in the process of being finalized.

At the same time, FinCEN published a proposed rule that would include currency exchangers in the MSB SAR rule, which issued in final form on February 10. Most recently, last month, FinCEN issued a proposed rule that would require mutual funds to file SARs. The comment period for that rule closes on March 24, 2003. Pursuant to the Act's mandate, FinCEN is consulting with the CFTC about extending SAR requirements to commodities professionals. It is important to note that these rules have been developed in consultation with law enforcement and the relevant regulators, and with full consideration of comments by the affected industries.

Cooperative Efforts to Deter Money Laundering

One of the most challenging tasks given to FinCEN has been to develop new ways to share information between law information and financial institutions, and to enable financial institutions to share information among themselves. Initially, working with law enforcement, we identified a gap in our quick response capability – we had no way to have an immediate search done throughout the financial sector to locate funds associated with a terrorist financing or money laundering scheme.

FinCEN, therefore, developed a system – a combination of e-mail and blast fax – that could quickly transmit names of suspects to financial institutions and get back reports of matches within days. The system was not designed to get documents or substitute for subpoenas – but rather to serve as a locator that could be followed up with subpoenas or other appropriate legal process. The regulations requiring financial institutions to respond to such queries – where the government had credible evidence of money laundering or terrorist financing -- became final in late September 2002. The system became operational in November 2002 and FinCEN received valuable information from financial institutions on cases involving both terrorist financing and money laundering.

Although these responses were helpful, there were still technical changes that needed to be made. So, after consulting with law enforcement and regulators, FinCEN placed a temporary moratorium on further Section 314 requests so that it could streamline the process, make it more manageable and less burdensome, and through the federal regulators, better educate the community about what was being expected of them.

The moratorium was recently lifted and we are hopeful that the improvements made to the system will provide critical, time-sensitive information to law enforcement, without unnecessary complexity and burden. This is very much a work in progress and we will continue to tweak the system to make it better. Also, I would like to add that FinCEN is greatly indebted to the substantial assistance that it has received from the regulators and the law enforcement community.

I also want to note that Section 314(b) required us to promulgate regulations permitting financial institutions to share information among themselves regarding individuals and entities suspected of engaging in terrorist financing or money laundering. Our regulation extends to all financial institutions that are required to have anti-money

laundering programs. Such institutions, may, upon filing a notice with FinCEN, share such information with other similarly qualified financial institutions for the purpose of identifying and reporting on such activity, complying with the BSA, and determining whether to engage in a transaction. The information cannot be used for any other purpose, and its security and confidentiality must be safeguarded.

Electronic Filing of BSA Reports

Closely related to Section 314 is Section 362 requiring FinCEN to develop a highly secure network to allow financial institutions to file BSA reports electronically and to supply financial institutions with alerts and other information regarding suspicious activities that warrant immediate and enhanced scrutiny. I am pleased to inform you that we moved very swiftly to develop the PATRIOT Act Communications System or PACS. A 60-day pilot program that included the voluntary participation of approximately 30 institutions was successfully concluded and on October 1, 2002, PACS became fully operational.

Financial institutions are not mandated to use PACS, but the system does provide a third, cost-effective option for filing CTRs and SARs. PACS allows participating financial institutions to electronically file CTRs and SARs in a highly secure fashion via the Internet, including both single forms and electronic batches of forms. PACS accelerates the delivery of BSA information to federal and state law enforcement and it reduces the expense to the financial institution by eliminating the need for magnetic tapes and paper forms.

Verification of Identification

Section 326 of the USA PATRIOT Act requires financial institutions to verify customer identification in connection with the opening of accounts. The Treasury Department is required to delineate the required procedures in rules jointly issued with the federal banking, securities, and commodities regulators. In July 2002, FinCEN issued a series of proposed rules jointly with the five federal bank regulators, the SEC, and the CFTC, that would delineate customer identification programs (CIPs) for entities regulated by these agencies, as well as a proposed rule issued solely that would delineate CIPs for non-federally regulated banks that are subject to the BSA. The proposals were the subject of substantial comment. Crafting final rules that are clear and consistent across these industries that can be jointly issued with seven other agencies as required by Section 326 has been a great challenge. We are working hard with these seven agencies and the Department of Treasury to complete this task.

Special Measures for Jurisdictions, Financial Institutions, or International Transactions of Primary Money Laundering Concerns

Section 311 authorizes the Secretary of the Treasury to impose special measures against jurisdictions, financial institutions, or one or more classes of transactions that are found to be of primary money laundering concern. The measures that may be imposed,

after consultation with the State and Justice Departments, and the federal functional regulators, range from increased recordkeeping requirements to an absolute prohibition on the maintenance of correspondent accounts in the United States for the designee. After engaging in the required consultations, in December 2002, Treasury designated Ukraine and Nauru as jurisdictions of primary money laundering concern.

Special Due Diligence for Correspondent Accounts and Private Banking Accounts

Section 312 requires financial institutions that maintain correspondent accounts for foreign financial institutions to implement due diligence procedures, and in certain cases enhanced due diligence procedures, concerning their correspondents. It also requires due diligence procedures for private banking accounts, and enhanced due diligence procedures for private banking accounts of senior foreign political figures to detect and report transactions involving the proceeds of foreign corruption. In May 2002, we issued a proposed rule under Section 312, and in July 2002 we issued an interim final rule applying the correspondent account requirements to banks, and the private banking account requirements to banks, broker-dealers and futures commission merchants. We are completing work on a more detailed and comprehensive final rule.

Reporting of Suspicious Activities by Underground Banking Systems

FinCEN has worked diligently over the past year examining the workings of the Informal Value Transfer Systems (IVTS), such as hawalas, and has issued a report to the Congress, as required under Section 359 of the USA PATRIOT Act on suspicious activities of such systems. Fieldwork and analysis of the data gathered presented the following findings: (1) existing BSA regulations are applicable to the U.S.-based operators of IVTS; (2) current research does not suggest an immediate need for additional legislation; (3) existing BSA rules should be reexamined to enhance regulatory compliance among operators of IVTS; and (4) the law enforcement and regulatory communities should undertake a comprehensive program to enhance their knowledge concerning the range of mechanisms used in IVTS.

Law Enforcement Access to Currency Reports by Non-Financial Businesses (Form 8300)

Section 365 of the Act required that the Treasury Department prescribe new regulations for filing currency reports by non-financial businesses with FinCEN. (Before the Patriot Act became law, the Internal Revenue Service (IRS) was required to collect Form 8300 information under Section 6050I of the Internal Revenue Code. This information was considered tax return information and was not readily available to law enforcement.) FinCEN worked diligently with Treasury to issue these new regulations and on December 20, 2001, an interim rule and a companion notice of proposed rulemaking were issued. As of February 20, 2002, FinCEN began receiving downloads of the 8300 data from IRS several times a week. FinCEN analysts use this information in the same manner as other BSA information in order to add value to law enforcement investigations.

Conclusion

Madam Chairwoman, in closing, the threats we deal with today have taken on new dimensions from those that existed when the legal structure for anti-money laundering was first created. Traditional methods for laundering have mutated over time to take advantage of new technologies, diverse institutions and industries. The financial channels of terrorism have traversed all of these changes, creating an urgency for seeking greater cooperation among governments, law enforcement, regulators, and the regulated industries to share and disseminate information as never before. It is an undertaking to which all of the employees at FinCEN are deeply committed, while preserving our core values, including our accountability for what we do with the masses of data entrusted to us.

On behalf of FinCEN, I would like to thank you for this opportunity to discuss with you are accomplishments as well as our unique role in the fight against terrorist financing. I would be happy to answer any questions you may have at this time.

Financial Institutions Subject to the Bank Secrecy Act prior to USA PATRIOT Act

Depository Institutions
(21,000 entities)

- Commercial Banks
  federal and state chartered
- Savings and Thrift Institutions
  federal and state chartered
- Trust Companies
- Branches of Foreign Chartered Banks doing business in the U.S.

Non-Bank Financial Institutions
(200,000 entities)

- Money Order Business
- Money Transmitters
- Check Cashers
- Currency Exchangers
- Travel Check Businesses
- U.S. Postal Service
- Casinos/Card Clubs
- Tribal Casinos
- Broker Dealers

FINANCIAL CRIMES ENFORCEMENT NETWORK

Post USA PATRIOT Act

- Depository Institutions (221,000 entities)
- Broker-dealers
- Investment Bankers
- Private Bankers
- MSBs
  (check cashers; currency dealers or exchangers; issuers of traveler's checks, money orders or stored value; sellers or redeemers of traveler's checks, money orders or stored value; money transmitters; U.S. Postal Service)
- Credit Card Systems Operators
- Insurance Companies
- Jewelry Dealers
- Pawnbrokers
- Loan or Finance Companies
- Travel Agencies
- Telegraph Companies
- Businesses - Vehicle Sales
  (automobiles; airplanes; boats)
- Persons - Real Estate Closings/Settlements
- Casinos
- Futures Commission Merchants,Commodity Trading Adv. Or Commodity Pool Operators Registered under the Commodity Exchange Act

UNITED STATES DEPARTMENT OF THE TREASURY

FINANCIAL CRIMES ENFORCEMENT NETWORK

USA PATRIOT Act

Final Rules Issued

Section 352 AML Prog. - Banks, Broker-Dealers, Futures Commission Merchants, Casinos 4/29/02 (Interim)

Section 352 AML Prog. - MSBs 4/29/02 (Interim)

Section 352 AML Prog. - Mutual Funds 4/29/02 (Interim)

Section 352 AML Prog. - Credit Card Sys. Operators 4/29/02 (Interim)

Section 356 SAR Required by Broker-Dealers in Securities 7/1/02

Section 313/319b Prohibit U.S. Corresp. Accts. w/Foreign Shell Banks; Bank Records Relating to AML Prog. 9/26/02

Section 314 Information Sharing 9/26/02

Proposed Rules Issued

Section 326 Customer ID Prog. - Banks, Savings Assoc & Credit Unions 7/23/02

Section 326 Customer ID Prog. - Futures Commission Merchants & Introducing Brokers 7/23/02

Section 326 Customer ID Prog. - Broker-Dealers 7/23/02

Section 326 Customer ID Prog. - Mutual Funds 7/23/02

Section 326 Customer ID Prog. - Certain Banks w/o A Federal Regulator 7/23/02

Section 352 AML Prog. - Insurance Co. - 9/26/02

Section 352 AML Prog. - Unregistered Investment Co. - 9/26/02

Section 352 AML Prog. - Dealers in Precious Metals, Stones and Jewels 2/21/03

To Be Proposed *(or Exempted)*

- **Loan & Finance Companies**
- **Travel Agents**
- **Persons - Real Estate Closings/Settlements**
- **Pawnbrokers**
- **Vehicle Sellers**
- **Commodity Trading Advisors**
- **Commodity Pool Operators**
- **Telegraph Companies**
- **Private Bankers**

UNITED STATES DEPARTMENT OF THE TREASURY

FINANCIAL CRIMES ENFORCEMENT NETWORK

Reports to Congress in Accordance with the USA PATRIOT Act

Section 357 – *Special Report on Administration of BSA Provisions (4/26/02)*

Section 361 – *Compliance with Reporting of Foreign Financial Accounts (4/26/02)*

Section 366 – *Efficient Use of Currency Transaction Report System (10/25/02)*

Section 359 – *Reporting of Suspicious Activities by Underground Banking Systems (11/02/02)*

Section 356 – *Investment Company Study (12/31/02)*

UNITED STATES DEPARTMENT OF THE TREASURY

List of Non-Cooperative Countries and Territories

The current list (as of March 13, 2003) of non-cooperative countries and territories is as follows:

1. Cook Islands
2. Egypt
3. Guatemala
4. Indonesia
5. Myanmar
6. Nauru
7. Nigeria
8. Philippines
9. St. Vincent and the Grenadines
10. Ukraine

(Source) Financial Action Task Force's website at www.fatf-gafi.org.