



DEPARTMENT OF THE TREASURY OFFICE OF PUBLIC AFFAIRS

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Before the Senate Committee on Banking, Housing, and Urban Affairs

Chairman Shelby, Senator Sarbanes and Members of the Committee, thank you for inviting me to testify before you today about the 9/11 Commission Report and our efforts to identify and combat terrorist financing.

The members of the 9/11 Commission and staff deserve our gratitude for their thoughtful report as well as for the monograph that their staff prepared on terrorism financing. These studies are extremely valuable both for the perspective they bring to these issues and for the opportunity that they present to reflect on our progress and our priorities. In my remarks today, I would like to give a brief overview of the administration's collaborative efforts to combat terrorist financing and how they augment and intersect with the broader war on terror. I will highlight the role played by the new Office of Terrorism and Financial Intelligence at the Treasury Department. Finally, I will describe our perspective as we look ahead, detailing some of the challenges that lie before us. In the course of my testimony, I will address what I believe are the central issues raised by the 9/11 Commission regarding our efforts to combat terrorist financing. Let me say at the outset that I agree with most of the Commission's report as it relates to terrorist financing, and I again commend the Commission and its staff for a job well done.

A. Terrorist Financing: A Key Front in a Global War on Terror

There is little need to underscore the importance of our campaign against terrorist financing before this audience. This Committee has demonstrated its deep commitment to the financial

campaign in the war on terror and I think would agree, as I do, with the 9/11 Commission's recommendation that "vigorous efforts to track terrorist financing must remain front and center in U.S. counterterrorism efforts."

As this statement reflects, the 9/11 Commission recognized that the U.S. Government's campaign against terrorist financing must be viewed as but one of many fronts in the global war on terror, rather than an end in itself. Our ultimate target is not the money, but the terrorists who use it to murder and intimidate. That said, our counter-terrorism financing efforts are a vital part of the overall war. Terrorists require money to train, travel, communicate, indoctrinate, procure weapons, carry out attacks, and conceal themselves. Starving them of money debilitates every aspect of their operations and, ultimately, their ability to survive.

Some have questioned the effectiveness of attacking terrorist financing networks. They note that terrorist attacks themselves cost relatively little to carry out and argue that because such sums are easily procurable, our efforts to combat terrorists by attacking their resources are futile. This is a dangerously flawed argument for two main reasons, and it is a view that the 9/11 Commission wisely rejected. In the first place, the terrorists' budgets are not measured by the cost of a primitive destructive act. The real operating costs of terrorists inhere in maintaining and perpetuating their networks, and these costs are considerable. As we choke off the terrorists' money flow, we degrade their capabilities and render them less dangerous. Second, tracking the financing of terrorists is quite often the best way to identify and actually locate terrorists and their facilitators. Every time terrorists raise, move, and store money, they potentially expose themselves to surveillance and attack. It is imperative that we continue to exploit these vulnerabilities.

B. The Interagency Character of Our Campaign Against Terrorist Financing

The U.S. Government campaign against terrorist financing involves a broad array of weapons, from intelligence collection and operations to diplomatic pressure, from regulatory actions and administrative sanctions to criminal investigations and prosecutions. If we are to achieve success, we must bring all of these powers to bear in a coordinated and target-appropriate manner. If the most effective strategy with respect to a known facilitator is to observe him covertly so as to trace the money flow upstream to the original donor or downstream to the ultimate terrorist end-users, then we must do so. If the most effective strategy is instead to designate a facilitator in order to freeze terrorist-related assets and shut down a conduit of terrorist financing, then we will do so. We have an interagency process in place to perform just this type of evaluation, assessing which action or set of actions will inflict the maximum damage to a terrorist network's capabilities. Our goal is not to boost the number of times that we exercise the tools of a particular agency, but to think and act as a single government with a shared set of goals.

The interagency team that has applied itself to this issue since 9/11 is truly extraordinary. The Department of Justice, my former home, and the FBI have done heroic work, transforming themselves over the past three years to best tackle the terrorist financing problem. The FBI's financial investigators, coordinated out of the Terrorism Financing Operations Section (TFOS),

have shown dedication and resourcefulness, marshaling the shared resources of law enforcement through Joint Terrorism Task Forces (JTTFs) across the country, integrating intelligence through unprecedented cooperation with the CIA, and building successful cases that would not have been thought viable a mere four years ago. Bringing these cases to court are a corps of talented Assistant U.S. Attorneys across the country, working under the guidance of a group of experienced prosecutors at DOJ's Counter-Terrorism Section (CTS). Over the past months, the public has received dramatic reminders of this group's effectiveness, with the indictments of the Holy Land Foundation's leadership echelon and the convictions of Abdulrahman Alamoudi and the Elashi brothers. The powerful, public effect of successful prosecutions is simply unrivaled.

Other law enforcement agencies play vital roles in these cases alongside the FBI. The premier financial investigators in IRS Criminal Investigation (IRS-CI) have demonstrated their ability to unravel intricate money laundering and tax evasion schemes that feature in terrorist financing investigations, and work closely with the FBI under the auspices of JTTFs. U.S. Immigration and Customs Enforcement (ICE) at the Department of Homeland Security also participates in JTTFs, and plays a crucial role in investigating bulk cash smuggling, unlicensed money remitters, and money laundering through insurance and other non-traditional financial mechanisms. Also, the Secret Service has done a fantastic job investigating counterfeiting as well as high-tech cyber-crimes, credit card fraud, and identity theft that can under gird a money laundering or terrorist financing ring.

The Civil Division of the Department of Justice plays a key but often unnoticed part in our government's overall effort. A team of skilled legal experts in the Civil Division has successfully defended every challenge to the government's law enforcement and administrative authorities in the terrorism financing arena. In light of the 9/11 Commission staff monograph's discussion of potential due process concerns in the designation of entities as Specially Designated Global Terrorists (SDGTs), it is useful to highlight two of these cases in more detail. After September 11, the Treasury Department designated the Holy Land Foundation and the Global Relief Foundation – two large U.S.-based charities – as SDGTs. The charities filed lawsuits against the government, raising a litany of claims, including allegations that the government had deprived them of due process. These cases were heard by federal judges who examined the evidentiary records underlying the designations in detail. All of the charities' constitutional claims were soundly rejected, and – to the extent that the courts have ruled on the challenges to the evidence underlying the designations – those challenges have been rejected as well. The charities both appealed, with the same result. Notably, every judge to consider the charities' claims, including the appellate judges of the District of Columbia and the Seventh Circuits, have upheld the legality of Treasury's actions, without a single dissent. See Holy Land Foundation for Relief & Development v. Ashcroft, 333 F.3d 156 (D.C. Cir. 2003); Global Relief Foundation, Inc. v. O'Neill, 315 F.3d 748 (7th Cir. 2002).

Diplomatic action is another of our primary tools in combating the financing of terrorism, and the State Department naturally stands at the forefront of these efforts. The money flows we are tracking largely emanate from and flow through countries overseas. Since 9/11, the State Department has built a worldwide coalition against terrorist financing – a monumental achievement – and endeavors every day to strengthen it. I will discuss their crucial role in one aspect of this process in more detail below.

Of course, none of these actions would be possible without the intelligence products that are the starting point and the guideposts for everything we do. As the 9/11 monograph correctly notes, the individuals leading the counter-terrorist financing efforts at the CIA possess extensive expertise in the clandestine movement of money. Since September 11, the CIA and the broader intelligence community have reconstituted themselves to address the threat of terrorist financing in a collaborative and unified manner, and they currently wield an exceptional depth of knowledge and experience.

I can report that the coordination across the government in the terrorist financing arena is excellent. Our greatest achievements to date have been shared, and we are increasingly finding new and better ways to combine our resources and authorities to pursue a single mission.

C. The Office of Terrorism and Financial Intelligence – Enhancing Treasury’s Contribution

The Congress and the President have given the Treasury Department the responsibility to safeguard the integrity of the U.S. and international financial systems from abuse by terrorists, rogue states, money launderers, and criminals. Domestically, Treasury’s role as guardian of the financial sector is manifest – Treasury regulates, oversees, and interacts with the banking and finance sectors on a daily basis, and has served in this role for over a century. Internationally, as the United States’ finance ministry, Treasury has cultivated close relationships with finance ministries, central banks, financial intelligence units, and international financial institutions, as well as with the international private sector.

To safeguard financial systems both at home and abroad, Treasury draws upon a range of capabilities that cut across various categories:

- **Sanctions and Administrative Powers:** Treasury wields a broad range of powerful economic sanctions and administrative powers to attack various forms of illicit finance, including E.O. 13224 issued under the International Emergency Economic Powers Act (IEEPA), which allows for swift action to freeze terrorist assets. Treasury’s Office of Foreign Assets Control (OFAC) administers and enforces the various economic sanctions and restrictions imposed under the Secretary’s IEEPA authority.
- **Financial Regulation and Supervision:** Treasury, through its Financial Crimes Enforcement Network (FinCEN), administers the Bank Secrecy Act (BSA) and issues and enforces anti-money laundering/counter-terrorist financing regulations. Treasury also maintains close contact with the federal financial regulators to ensure that these regulations are being implemented consistently throughout the financial sectors.
- **International Initiatives:** Treasury is part of and has access to an extensive international network of finance ministries and multi-lateral bodies such as the Financial Action Task Force (FATF) and various FATF-Style Regional Bodies, the International Monetary Fund (IMF), the World Bank, the G7, and various regional multilateral development

banks. In addition, FinCEN is the facilitator for international relationships among financial intelligence units organized through the Egmont Group.

- **Private Sector Outreach:** Through the BSA Advisory Group (BSAAG) and other regulatory and educational seminars and programs, Treasury maintains a close relationship with U.S. financial institutions to ensure a smooth exchange of information related to money laundering and terrorist financing. Further, FinCEN administers Section 314 of the U.S.A. PATRIOT Act (Patriot Act), which mandates enhanced information sharing among government, law enforcement, and the financial sector.
- **Law Enforcement and Law Enforcement Support:** Treasury combats various forms of financial crime through the direct law enforcement actions of IRS-CI and the analytical support provided by FinCEN.

These assets position the Treasury Department as a leader in the government's efforts to combat terrorist financing. And, since the September 11th attacks, Treasury has diligently applied these assets as part of a comprehensive campaign against terrorist financing.

At the time that the Commission was preparing its final report, the Treasury Department was preparing a new office structure to improve its ability to combat terrorist financing. The creation of the Office of Terrorism and Financial Intelligence (TFI) at the Treasury Department will enable the Department to bring all of its assets to bear more effectively than it ever has before and to play the leadership role that it should play in combating terrorist financing. This fight will be a long and difficult one, and TFI is structured to direct Treasury's resources, authorities, and expertise against supporters of terrorism in a sustained and coordinated manner.

One key function of TFI is to assemble and analyze intelligence. The war on terror remains a war of information and TFI's Office of Intelligence and Analysis (OIA) is helping us meet this challenge. OIA will integrate, for the first time, all of the Department's information and intelligence streams, including BSA data at FinCEN, OFAC sanctions enforcement data, and all of the intelligence flowing into the Department from the intelligence community. Frankly, this is an area in which significant improvement is needed because, prior to the creation of OIA, these data were generally kept in separate "stovepiped" channels. OIA will ensure that these data streams are reviewed, synthesized, and presented to policymakers for appropriate action, and that appropriate security and privacy protections are in place to safeguard sensitive data.

TFI also includes the Office of Terrorist Financing and Financial Crimes (OTF), which is the policy and enforcement arm for the Department on terrorist financing, money laundering, financial crime, and sanctions issues. Building on earlier Treasury efforts, OTF integrates the important functions of OFAC and FinCEN with other components of the Department. OTF represents the United States at international bodies dedicated to fighting terrorist financing and financial crime, such as the FATF, and will increase our other international efforts in this field. Domestically, OTF will continue to develop and implement strategies against money laundering and other financial crimes. For example, OTF is working closely with FinCEN, which has the responsibility to enforce the BSA and related provisions of the Patriot Act, to enhance public-private cooperation against money laundering and terrorist financing. OTF is also working with

federal law enforcement, including the criminal investigators at IRS-CI, on emerging trends in domestic and international financial crime, through such projects as the Garden City Lead Development project.

Both the intelligence and operational functions are under my direction, and it is my responsibility to ensure that they support and inform each other's missions. If I do my job well, TFI will become more than the sum of its parts and significantly enhance Treasury's contribution to our government's campaign against terrorist financing.

D. The Value of Judiciously-Applied Designations

I made clear earlier that those of us engaged in the financial war against terrorism should, in every instance, utilize the best-suited tool to advance the overall mission to disable terrorist groups. Acting in accordance with that principle, however, requires an accurate understanding of each of the relevant tools. In that regard, I would like to highlight the value of the public actions the Treasury Department can take – particularly public designations. The 9/11 Commission states that “public designation of terrorist financiers and organizations is still part of the fight, but it is not the primary weapon. Designations are instead a form of diplomacy, as governments join together to identify named individuals and groups as terrorists. They also prevent open fundraising.” While I agree with the first quoted sentence, I think that the 9/11 Commission does not give enough credit in this passage to the true power of public designations. In addition to being a form of diplomacy and stopping open fundraising, designations – if wielded properly – achieve the following ends:

1. shutting down the pipeline through which designated parties raise and move money;
2. informing third parties, who may be unwittingly financing terrorist activity, of their association with supporters of terrorism;
3. deterring non-designated parties, who might otherwise be willing to finance terrorist activity; and
4. forcing terrorists to use potentially more costly, less efficient and/or less reliable means of financing.

The benefits of designation cannot be measured simply by totaling an amount of frozen assets. Terrorist-related accounts are not pools of water awaiting discovery as much as they are rivers with funds constantly flowing in and out. By freezing accounts, we dam that river, not only capturing whatever monies happen to be present at that moment but, more importantly, ensuring that this individual or organization can never in the future act as a conduit of funds to terrorists. If fully implemented, a designation excommunicates supporters of terrorism from the formal financial system, incapacitating them or driving them to more expensive, more cumbersome, and riskier channels.

I say “if fully implemented” because, as the 9/11 Commission recognized, implementation is vital in this context but not at all assured. The great majority of terrorist financiers and facilitators operate and store their money overseas. For designations to have their maximum impact, we must persuade other nations to take action alongside us. This is not a simple task. In

some cases there is a failure of will, and in others there are insufficient means for foreign countries to take administrative action. In either case, we must continue to persuade, cajole, or provide needed technical assistance to make sure that our designations are more than just words on paper in the international sphere. Over the past three years, the State Department has labored tirelessly in this cause, and its persistent work has yielded results: dozens of countries have joined us in submitting over 285 al Qaida-linked targets for designation at the United Nations; 87 countries in every region of the world have either adopted new laws and regulations to fight terrorist financing or are in the process of doing so; and 20 different U.S. Government offices and agencies have provided technical assistance and training to help high-priority states develop counter-terrorist financing and anti-money laundering regimes. But, as a U.N. Monitoring team recently found, there is much more to be done, and as the terrorists adapt so must we.

In assessing the potential value of designations, it is also important to recognize that designations are not necessarily applied at the expense of other actions. A recent and powerful illustration is the integrated U.S. government approach taken with respect to the U.S. branch office of Al Haramain, in Oregon. In February, federal agents executed a search warrant on Al Haramain, pursuant to a joint investigation by IRS-CI, the FBI, and DHS/ICE. Immediately thereafter, Treasury's OFAC blocked the accounts of the organization pending investigation. This locked the organization's assets in place, ensuring that no money would flow from this group to illicit purposes during Treasury's investigation. Earlier this month, Treasury formally designated the U.S. Al Haramain office as a supporter of terrorism, adding it to a list of other designated Al Haramain branches around the world. In the meantime, the joint law enforcement investigation continues. This combination of administrative and law enforcement actions provides the U.S. Government with the utmost flexibility to address the threat of terrorist financing, using complementary tools in such a way as to concentrate their impact.

Behind all OFAC designations, such as the recent Al Haramain designation, are a team of tremendously capable foreign terrorist programs officers at OFAC. These individuals search out and synthesize wide-ranging streams of intelligence to map out terrorist groups and their support networks. They also draft the evidentiary packages that provide the legal bases for designations. Their dedication and expertise are by now widely known to those within the government who work on terrorist financing issues, but these individuals are rarely acknowledged in public. They merit special mention alongside those others working in the trenches of the terrorist financing campaign, be they analysts, agents, prosecutors, or Foreign Service officers.

E. The Need for International Cooperation and Engagement

As I mentioned, the capital fueling terrorist activity principally emanates from and flows abroad, and our counter-terrorist financing campaign depends upon the coordinated action of many countries. Over the past three years, the U.S. Government has successfully moved the campaign against terrorist financing to the top of the world's priority list.

Treasury has worked with the State Department and others in the interagency community in numerous international fora – including the United Nations, G7, G8, G20, the Financial Action Task Force on Money Laundering (FATF), and the Egmont Group – to promote balanced

regulatory regimes that provide for financial transparency. Thanks to these efforts, scores of countries are now held to FATF's Recommendations, which call upon member jurisdictions to regulate informal banking systems like *hawalas*; include originator information on cross-border wire transfers; freeze and seize terrorist-related funds; overtly criminalize terrorist financing; and increase vigilance over the non-profit sector. Treasury has also pressed the FATF to address the risk of cash couriers, and anticipates the issuance of a new Special Recommendation calling upon jurisdictions to implement measures to detect and confiscate cash traveling across borders that may be related to terrorist financing.

These principles and practices are being further promulgated by the International Monetary Fund and the World Bank, which recently adopted the FATF Recommendations as part of their anti-money laundering principles used in assessing jurisdictions. In addition, the forthcoming creation of FATF-style regional bodies in Central Asia and the Middle East/North Africa will hold a range of new countries to the standards of the international community. These advances are extremely encouraging.

In addition to the important work being done at the FATF, FinCEN's leadership in the Egmont Group has helped spur a rapid expansion of financial intelligence units (FIUs) around the world, with 94 such FIUs now operating internationally. This network plays a pivotal role in international arena, as it supplies a forum for the rapid, global exchange of information and training. This network will only grow in importance as the FIUs continue to develop projects and conduits to detect and prevent terrorist financing and financial crimes.

Congress gave the Treasury a powerful tool to encourage international compliance with anti-money laundering and counter-terrorist financing standards in Section 311 of the Patriot Act. This provision provides us the authority to prevent jurisdictions and foreign financial institutions found to be of "primary money laundering concern" from doing business with United States financial institutions, thus protecting our financial systems from entities that subvert or ignore international money laundering standards. This past May, the Treasury Department designated the Commercial Bank of Syria as a "primary money laundering concern," based on a lack of financial transparency and other concerns about that institution, including terrorist financing. Pursuant to this designation, we have issued a proposed rule that, when adopted in final form, will oblige U.S. financial institutions to sever all correspondent relations with this bank. The Commercial Bank of Syria will either take effective steps to address our concerns or we will cut it off from our financial system. In late August, we designated two more foreign financial institutions: Infobank, of Belarus, which had been used to subvert the United Nation's Oil-for-Food program, and First Merchant Bank of the "Turkish Republic of Northern Cyprus," which participated in fraudulent activity on an international scale. These institutions will face the same choice as the Commercial Bank of Syria.

Actions of this type spur jurisdictions and institutions to introduce reforms and create greater financial transparency. They also protect the integrity of our financial system. We will continue to apply Section 311 aggressively against rogue jurisdictions and institutions when we have reason to believe that our financial system is being threatened by terrorist financing or other criminal networks.

These efforts have yielded considerable results, but more can and should be done. Treasury will continue to press the international community to implement robust counter-terrorist financing regulations and standards. Treasury will also continue to provide technical assistance and training abroad, in conjunction with the State Department and our inter-agency colleagues, to ensure that our partners have the requisite capacity to regulate vulnerable industries, enforce laws, and share financial information.

F. Current Challenges

Congress was forward-looking in enacting the Patriot Act, mandating not just better oversight of regulated sectors but also an expansion in regulatory scope, to encompass whole sectors that had not previously been subject to federal anti-money laundering or counter-terrorist financing regulation. Implementing Congress' vision will take sustained effort, to which we are committed. Our challenges in this arena fall into two broad categories. First, in crafting new regulations, we must ensure that they will provide for transparency, accountability, and enhanced flow of information between the private sector and the government. They must also be practicable. This requires great care, as the particular sectors covered by the Patriot Act span a wide range – from credit unions to casinos – each with its own character, organization, and practices. This challenge becomes more acute when regulating businesses, such as pawn shops or jewelers, which do not behave like traditional financial institutions.

Once regulations are in place, we face a second-order challenge: our regulations are only valuable to the extent that we can ensure they are being followed. In several compliance areas, we are faced with unknowns. How do we assess the extent to which relevant regulations are being observed? With limited resources and a vast community of regulated entities, how do we most effectively encourage and monitor compliance? One area of particular challenge here is money service businesses (MSBs). The universe of large, established MSBs, such as Western Union or Moneygram, is familiar to us and its vulnerabilities are largely known. But informal money or value transfer systems and alternative remittance systems, such as *hawalas*, may consist of a single individual with a telephone and a ledger. Over 19,000 MSBs have complied with the law requiring them to register with the Treasury Department; we know that this is but a small fraction of the total number of MSBs in this country. It would be excessively difficult and a poor use of resources to locate every one of these unregistered MSBs, the overwhelming majority of which are not facilitating any illicit ends. At the same time, we cannot allow ourselves to become resigned to the risks of this situation. Our best approach is risk-based, doing smart outreach and targeted enforcement – wielding education and deterrence where they will do the most good. This effort is informed by FinCEN, which develops targets for examination and outreach, and by a strategic partnership between IRS and DHS/ICE. IRS civil examiners conduct BSA compliance examinations, cataloging money laundering schemes and tracking developing patterns. They also refer appropriate cases for criminal investigation. On the criminal side, IRS-CI and DHS/ICE bring their respective areas of money laundering expertise to the investigation of illegal MSBs, and participate in 42 multi-agency Suspicious Activity Report Review Teams nationwide. Section 373 of the Patriot Act, which makes it a crime to operate an unlicensed money service business, is a critical tool in this fight. All of these

efforts hold promise. Still, the number of entities, in this and in other regulated industries, is staggering. We hope to work with Congress on this difficult and important task.

Another challenge we face is adapting to a shift in the focus of financial regulation. The current financial regulatory regime was forged out of nearly twenty years of experience in detecting and preventing money laundering. Money laundering and terrorist financing, however, differ in significant ways. In the money laundering field, investigators look through a telescope trying to detect the movement of large amounts of dirty cash. When investigating terrorist financing, investigators use a microscope in order to track the movement of relatively small amounts of often “clean” money, intended to support a nefarious purpose. Financial experts in the private sector have developed a set of typologies to detect money laundering activity; terrorist financing transactions, by contrast, may bear no inherent identifying trademarks whatsoever.

We have commenced a study of whether we can devise tools or systems that are tailored to terrorist financing. It is already clear, though, that one of the most useful avenues we can pursue will be to expand our coordination with the private sector. The financial industry has been tremendously helpful in combating terrorist financing and is eager and willing to do more. But banks and other financial institutions cannot help if they are working blindly. To the extent possible, the government must provide more detailed information to the private sector so that financial entities know specifically what and whom to look out for. This will not be an easy task. Much of the information in this arena is classified. Law enforcement is properly reticent about sharing information that could compromise an investigation. And we also need to be sensitive to the significant privacy and reputational interests of our citizens and ensure that appropriate controls are in place to safeguard information.

Mediating this public/private relationship is the BSA Advisory Group, chaired by FinCEN. This group is comprised of high-level representatives from financial institutions, federal law enforcement agencies, regulatory authorities, and others from the private and public sectors, and acts both as an intermediary and as a think tank focused on ways to improve the flow of information to both sectors. FinCEN’s director, William Fox, has adopted information sharing as a top priority and I am confident that our coordination with the private sector will broaden and deepen under his expert command.

Congress also facilitated aspects of public-private coordination through Section 314 of the Patriot Act. This provision mandates the sharing of information with and among the financial sector, both vertically (among regulatory agencies, law enforcement, and industry) and horizontally (providing a safe harbor that allows industry members to share with each other). In implementing this section, Treasury created a “pointer” system for law enforcement. This system allows law enforcement, in appropriate cases, to transmit names of persons of interest to the financial sector through FinCEN and determine whether those institutions have any relevant transaction or account information. The industry reports back only when it has information and, if it does, law enforcement may follow up with appropriate process. The system has been quite successful to date and law enforcement agencies attest to its value. But we will continue to explore new ways of increasing information flow to and among the private sector, and I look forward to working with this Committee in this endeavor.

One final concern that I would like to draw attention to has been the lack of movement against Hamas fundraisers in Europe. So often in this field, our challenge is to simply find those who are moving money to terrorists. In the case of Hamas, though, many of the culpable parties are known. In 2003, the United States identified and designated a collection of European NGOs that are demonstrably funding Hamas. These include Interpal in the U.K., the Al Aqsa Foundation with offices across northern and western Europe, Comité de Bienfaisance et de Secours aux Palestiniens (CBSP) of France, and the Palestinian Association (PVOE) of Austria. Despite our designations, though, and the hard work of the State Department, these offices continue to operate in their home countries. I find this extremely troubling and I intend to continue to press this issue in the strongest terms with our allies in Europe.

G. Conclusion

In preparing for my new position, I have repeatedly confronted questions about our effectiveness in the campaign against terrorist financing. Put simply, are we making progress? How can we know? How do we measure success?

These are important questions, and difficult ones. Al Qaida does not release financial statements, and we will never know precisely how much money is flowing to a terrorist group in a given year or how much money intended for terrorists never reached their hands due to our efforts. We therefore often find ourselves discussing proxies for these ultimate questions: how many donors and facilitators are captured or behind bars; how much money has been frozen or seized; how many countries are joining us in freezing assets or upgrading their laws to make it harder to move money illegally. Each of these benchmarks points to only one aspect of the problem, though, and imperfectly at that.

Far more revealing, to my mind, is intelligence, even if anecdotal, about the condition of terrorists' financial networks. The news there is encouraging: it has become costlier, riskier, and more difficult for al Qaida and like-minded terrorist groups to raise and move money around the world. Intelligence reports suggest that many terrorist financial networks are hurting for cash, as financiers and facilitators are killed, caught, or cut off from the financial system, and as the conduits of the international financial system become more transparent and less hospitable to those who seek to stay hidden. Also playing a major role is the deterrent effect of public actions like prosecutions and designations, and prospective donors now think twice about contributing to disreputable or shady organizations.

Our successes breed new challenges, though, as the terrorists continue to adapt to our efforts and devise new and more sophisticated ways to move money. We must not become reliant on familiar methods or comfortable ways of thinking. On the whole, I believe we are headed in the right direction. I look forward to working with you to enable us to become stronger, more perceptive, and more nimble in countering the evolving threats to the financial sector and our nation.