

**Statement of Deputy Assistant Secretary Andrew Keller**  
**U.S. Department of State**  
**Bureau for Economic and Business Affairs**  
**before the**  
**United States House of Representatives**  
**Committee on Foreign Affairs**  
**Subcommittee on Terrorism, Nonproliferation, and Trade**  
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Chairman Poe, Chairman Wilson, Ranking Member Keating, Ranking Member Langevin, distinguished Members of the Committees, thank you for the opportunity to speak here today about the Department of State's efforts to counter-terrorist financing. Countering terrorist financing and other threat financing is a top priority for the Department of State. We have a wide variety of tools to disrupt terrorist and criminal financial networks, and across the Department of State we work with a number of countries, corporations, international organizations, and civil society groups around the world to broaden the impact of our efforts.

The Department of State works closely with the Department of Treasury on diplomatic engagement efforts to counter the financing of terrorism with countries and international organizations. We also provide assistance to build the capacity of partner countries around the world to help strengthen their legal frameworks to prevent money laundering and terrorist financing, prosecute criminals and terrorist financiers, strengthen financial regulatory institutions and improve information sharing, and track suspicious transactions that could support criminal or terrorist activity. These activities require constant interagency collaboration, as well as adaptation and coordination with our foreign partners. Terrorist financing is a

complex and dynamic threat, and one that requires the U.S. Government to utilize the full range of its tools.

I sit in the Bureau of Economic and Business Affairs (EB) at the Department of State. We help coordinate Department of State policy on terrorist finance among a number of regional and functional bureaus and liaise with our interagency partners, including the Department of Treasury and Department of Defense, to shape the counter ISIL finance campaign at the strategic level. My team in EB also coordinates counter terrorist finance sanctions for the Department of State and works closely with other bureaus in the Department of State and with the Department of Treasury to ensure our sanctions target individuals and groups effectively and in a way that promotes broader U.S. foreign policy interests. The fight against the Islamic State in Iraq and the Levant (ISIL) is one of our highest priorities, and it is my principal counter-terrorist finance focus. Our efforts to diminish ISIL's finances illustrate the Department of State's many tools to disrupt terrorist groups' financial networks, and our work with the interagency demonstrates how effectively we can leverage the full spectrum of U.S. authorities and capabilities in pursuit of this important goal. We have worked very closely with our interagency colleagues, including those represented here today, since 2014 to disrupt ISIL's finances, and we can point to the real impact our efforts and those of our coalition partners have had on ISIL's finances.

ISIL's revenues in 2014 and 2015 made it by far the richest terrorist group in the world, and the sources of its revenues make it an unusual counter-terrorist financing challenge. In 2015 ISIL earned at least \$1 billion, mostly through the production and sale of energy resources and through extortion of the population in ISIL-controlled areas of Iraq and Syria. ISIL likely made around \$500 million in

2015 from oil and gas sales and about \$350 million from extortion. In addition to those two large revenue streams, ISIL made at least several million from foreign donations in 2014 and in 2015, between \$20 and \$45 million from kidnapping for ransom in 2014 but less in 2015, and less than \$10 million from trafficking in antiquities. In 2014 and early 2015, when ISIL seized cities throughout northern Iraq, it captured between \$500 million and \$1 billion dollars in Iraqi currency from local bank vaults – a one-time windfall and not a recurring source of revenue.

Other terrorist groups, including Al-Qaida, have traditionally raised funds primarily by soliciting donations. ISIL, on the other hand, makes the majority of its money from the territory it controls. This relative financial self-reliance has hindered our ability to use our traditional counter-terrorist finance tools and obliged us to develop creative approaches to address each aspect of the problem. U.S. and coalition partner countries have adapted and pursued new strategies to squeeze ISIL's ability to fund its operations.

### **Efforts to Disrupt ISIL's Finances**

As the interagency co-lead of the counter-ISIL finance effort alongside the Department of Treasury's Office of Terrorist Financing and Financial Crimes, we coordinate the Department of State's counter-ISIL finance activities and leverage our diplomatic authorities and resources to disrupt ISIL's finances. We work closely with our interagency partners in the Departments of Treasury, Defense, Justice, Homeland Security, and the Intelligence Community to coordinate this unique and challenging mission.

As a result of the efforts detailed below, we have seen a significant impact on ISIL's operations in Iraq and Syria. ISIL has cut salary payments to its fighters in Raqqa and Mosul by fifty percent, leading many ISIL fighters to defect and leave the battlefield. ISIL has struggled to fulfill its various governance obligations such as basic services to Iraqi and Syrian citizens in ISIL-controlled territory due to stretched finances. ISIL has also increasingly resorted to the theft of property and arbitrary "tax" increases to make up the funding gap. Finally, we have seen increasingly frequent incidents of corruption within ISIL's ranks as funds have diminished. While encouraged by these indications of financial stress, there is still much work to do both in Iraq and Syria and around the world against ISIL's affiliates and supporters.

### Military Airstrikes

Our most effective method of disrupting ISIL's revenues to date has also been one of the most atypical counter-terrorist finance tools: military airstrikes against ISIL-controlled oil and gas facilities and cash storage sites. We work with interagency partners to shape this economic warfare campaign to maximize the economic impact on ISIL while minimizing humanitarian consequences and reconstruction costs. For example, Operation TIDAL WAVE II, launched in October 2015, targeted ISIL's entire oil and natural gas supply chain – oil fields, refineries, and tanker trucks. Coalition airstrikes have reduced ISIL's ability to exploit oil and natural gas for profit in Iraq and Syria. Coalition airstrikes against ISIL's cash storage sites have also reduced liquidity in ISIL-controlled territory in northern Iraq by at least tens of millions and possibly up to hundreds of millions of dollars.

## Multilateral Diplomacy

Kinetic efforts have complemented diplomatic efforts to build a coalition of countries to disrupt ISIL's finances. In March 2015, the United States established the Counter-ISIL Finance Group (CIFG) to serve as the Global Coalition to Counter ISIL's working group on ISIL finance. Co-chaired by the United States, Saudi Arabia, and Italy, the CIFG includes 39 members and observers. The CIFG coordinates members' efforts in four key areas:

1. Prevent ISIL's use of the international financial system,
2. Disrupt ISIL's efforts to profit from economic assets and resources like oil,
3. Stop donations and funding from abroad, and
4. Interrupt ISIL's attempts to send money and resources to and among its affiliates.

We coordinate within the CIFG to update members on ISIL's current financial status and discuss the governmental and non-governmental tools to disrupt those finances. The CIFG has made important strides encouraging coalition partner countries to take domestic actions against ISIL's financial networks, and we will work hard to ensure that progress continues.

In an effort to build an international counterterrorist finance framework, the Department of State has also led efforts at the United Nations. The U.S. Mission to the UN negotiated several UN Security Council Resolutions (UNSCRs) focused on ISIL and other terrorist finance threats. In December 2015, we negotiated UNSCR 2253, which strengthens the UN Security Council's ISIL and Al Qaeda Sanctions regime, expands listing criteria to make it easier to designate those

supporting ISIL, and strengthens the UN implementation process. The United States continues to nominate and encourage other countries to nominate ISIL leaders and facilitators to the UN Security Council's 1267/1989/2253 ISIL and Al Qaida Sanctions List to disrupt ISIL's ability to raise and transfer funds. There are currently around two dozen ISIL leaders and facilitators on the Security Council's sanctions list, and we are constantly working to add more names to that list.

We also helped negotiate UNSCR 2199 in February 2015, which focuses extensively on terrorist financial support networks, particularly ISIL's raising of funds through exploitation of natural resources, looting of antiquities, kidnapping for ransom, and other illicit activities. To help implement these provisions, the State Department Bureau of Energy and Natural Resources (ENR) worked with the Departments of Commerce and Homeland Security to develop a list of equipment ISIL needs to continue operating its oil and gas infrastructure and shared this list with foreign governments. We are now working with these governments to ensure their customs and border control agencies are able to identify and interdict spare energy parts heading to ISIL.

UNSCR 2199 was also the first UNSCR to specifically address ISIL's looting and trafficking of archeological and historical artefacts from Iraq and Syria, which is another tragic means by which ISIL funds its operations. On May 9, the President signed into law the Protect and Preserve International Cultural Property Act, which directs the President to impose new import restrictions on antiquities trafficked out of Syria. Along with colleagues from the Department of Justice, Federal Bureau of Investigation, and Customs and Border Patrol, I met with prominent antiquities dealers, collectors, auction houses, and museum administrators in September 2015 to emphasize the importance of performing due

diligence on any antiquities that may have originated in ISIL-controlled territory. In partnership with the International Council of Museums, the Department of State published Emergency Red Lists of Cultural Objects at Risk for Iraq, Syria, and Libya. These pamphlets illustrate for customs officials and art dealers the kinds of objects being trafficked by ISIL so they can better identify and take action on any illegally looted goods. The Department of State's Rewards for Justice program, which provides a financial reward for information that disrupts terrorist acts or the financing of terrorist groups, was expanded in September 2015 to offer \$5 million for information leading to the disruption of ISIL's trafficking in antiquities or oil. We have also funded government and civil society programs to document damage to cultural property in Iraq and Syria, train Libyan officials to catalogue artefacts and prevent looting, and promote international awareness of the trafficking in looted antiquities by ISIL.

### Bilateral Diplomacy

The Department of State also conducts bilateral diplomatic engagement with key countries through our Diplomatic Missions in the Middle East and around the world. Our embassies consistently engage foreign government officials to promote counter-terrorist finance tools and provide capacity building. Our Embassy in Baghdad worked closely with the Treasury Department and the Government of Iraq to decrease liquidity in ISIL-controlled territory to prevent ISIL from profiting from extortion and "tax" collection. The Government of Iraq's August 2015 decision to suspend government salary payments to ISIL-controlled territory was the most important of these efforts, as it eliminated ISIL's ability to tax these funds. We estimate salary payments to ISIL-held areas amounted to at least \$170 million per month in 2015, or the equivalent of roughly \$2 billion per year.

The United States has also worked closely with the Government of Turkey, the Government of Lebanon, governments in Arab Gulf states, and the Central Bank of Libya to help them prevent ISIL and its affiliates from exploiting their financial systems. A series of high-level engagements this year resulted in a U.S.-Turkey joint border security work plan, which includes a focus on countering smuggling networks across the Turkey-Syria border.

In a further effort to restrict ISIL's ability to utilize the international financial system, the Departments of State and Treasury have sanctioned a number of ISIL leaders, financiers, facilitators, and affiliates under the Immigration and Nationality Act and Executive Order 13224. The United States has designated ISIL and eight affiliates as Foreign Terrorist Organizations (FTOs) or Specially Designated Global Terrorists (SDGTs) and designated several dozen ISIL leaders and key financiers and facilitators as SDGTs. These sanctions cut ISIL, its affiliates, and its financiers and facilitators off from the U.S. financial system and any transactions going through U.S. banks. Many other countries also track our sanctions list and prevent designated individuals from processing transactions through their banks.

### Capacity Building

The Department of State is building partner capacity to counter-threat and counter-terrorist financing in a variety of ways. The Bureau of Counterterrorism (CT) is working through a number of US. Departments and agencies, including the Departments of Justice and Treasury and the FBI, to help partner nations investigate and prosecute illicit financial transactions, both internally and beyond

their respective borders. Throughout the Middle East, including in Lebanon, Jordan, and the Gulf, CT is pursuing engagements and programs to disrupt ISIL and other terrorist group's financial and facilitation networks by building the capacity and cooperation of financial regulatory institutions, law enforcement agencies, and prosecutors, and by training partners in the use of designations and sanctions. An interagency team of U.S. officials is also working directly with senior Turkish National Police (TNP) and Jandarma counterparts to conduct trainings and professional exchanges on countering terrorist financing, including bilateral customs training on oil production equipment and investigative skills of law enforcement officials.

The Department of State's Bureau of International Narcotics and Law Enforcement (INL) also funds capacity building programs to strengthen national financial systems against money laundering and terrorist financing. INL provides funds to the Financial Action Task Force (FATF), the international standard setting body on anti-money laundering and countering the financing of terrorism (AML/CFT), to support their operations and engagements with governments seeking to improve their financial systems. INL also funds annual World Bank National Risk Assessments to help countries assess and improve their AML/CFT regulations. To help national financial intelligence units (FIUs) monitor financial flows, INL helps FIUs identify and adopt the most appropriate software tools for their particular needs, which is critical to enhancing FIUs' ability to effectively monitor transactions. INL also provides funds to the UN Office of Drugs and Crime (UNODC) Global Program Against Money Laundering to support capacity building programs throughout Africa.

## Conclusion

As our efforts targeting ISIL financing demonstrate, counter-threat and counter-terrorist finance is a top priority for the Department of State and our interagency partners that requires a coordinated and adaptable approach to effectively target this multifaceted and dynamic problem. ISIL has proven resilient and adaptable in the face of sustained pressure from the United States and our coalition partners, and we will continue to adapt our tactics to maintain the effectiveness of our economic campaign. The United States will continue to use all tools at its disposal to disrupt ISIL's finances and cut ISIL off from the international financial system.

Thank you very much, and I look forward to your questions.