

Statement for the Record

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Introduction

Chairman Wilson, Chairman Poe, Ranking Member Langevin, Ranking Member Keating, and other distinguished Members of the Subcommittees, I appreciate the opportunity to share information with you about the Department of Defense's counter-threat finance capability. In my testimony today, I will convey two main points.

Most importantly, DoD counter-threat finance, or CTF, supports both military operations and U.S. Government partners, including our law enforcement colleagues. In both cases, identifying and exploiting the financial vulnerabilities of our adversaries and other threatening forces helps us achieve U.S. national security objectives.

Moreover, the Department of Defense is taking several steps to give CTF an enduring foundation, by embedding CTF within DoD policy, plans, doctrine, education, and training. We're doing this so military commanders and civilian law enforcement partners can continue to draw upon this capability to address complex national security challenges. DoD and the United

States will need CTF capabilities in a future security environment characterized by rapidly evolving transregional criminal networks.

DoD Counter-Threat Finance Support

The Department of Defense recognizes the threat to U.S. national security posed by illicit funds in the hands of terrorist and transnational criminal organizations. Over a decade ago, we built a small, effective CTF capability within the Department. We have done so largely through our counternarcotics authorities and appropriation. Counternarcotics is an appropriate source of authority and resources, given that the drug trade remains the world's most lucrative criminal enterprise. Funds from the illegal drug trade are often associated with other illicit criminal enterprises and with insurgent or terrorist organizations, including the Taliban in Afghanistan, the Revolutionary Armed Forces of Colombia (FARC), and Lebanese Hezbollah. Since the late 1980s, the Department of Defense has provided unique military capabilities in support of U.S. and allied law enforcement's drug interdiction activities. Similarly, DoD provides CTF support to partner law enforcement agencies for what is in most instances a law enforcement action. These actions can be as effective, or even more effective, than purely military actions in disrupting an adversary's ability to threaten U.S. national security interests.

Today, DoD has dedicated CTF teams at each of its geographic combatant commands, as well as at U.S. Special Operations Command, U.S. Transportation Command, the National Guard Bureau, and intelligence components. The CTF teams analyze financial intelligence, integrate intelligence and operations, and coordinate and execute CTF activities—within the Department and with and in support of U.S. interagency partners.

DoD is not the lead U.S. agency for conducting CTF, but DoD employs unique analytical capabilities to assist other partners in accomplishing the overall CTF mission. U.S. government agencies must cooperate and share their respective capabilities and information in order to successfully trace and stop the flow of money and other resources that move to and from our adversaries.

During the early days of Operation Iraqi Freedom, DoD learned how “following the money” provides the information necessary to degrade terrorists’ and insurgents’ efforts to execute attacks. With other U.S. Government partners, DoD stood up threat finance cells in Iraq, and later in Afghanistan, in order to identify and disrupt terrorist and insurgent support networks. With these task forces, the U.S. Government utilized the entire U.S. national security toolkit. They also enabled similar efforts from Canada and the United Kingdom. The task forces illustrated how DoD CTF can shape the operating environment and achieve broader U.S. national security objectives.

Outside the war zone, DoD provides CTF support to the diplomatic and law enforcement communities. For example, DoD analysts help support our Department of the Treasury colleagues’ efforts to develop designations against individuals and organizations engaged in illicit finance. DoD analysts also support State Department efforts to develop and monitor U.S. and international sanctions against terrorists and transnational criminals. DoD supports the efforts of U.S. law enforcement partners tasked to find and seize illicit funds, to prosecute threat financiers, and to disrupt complex criminal revenue-generating and laundering activities. DoD CTF analysts excel in helping to identify vulnerabilities and to create a comprehensive analysis for U.S. government partners to target an adversary’s financial infrastructure.

DoD provides this and other CTF support to our interagency partners. DoD believes CTF is an important component of whole-of-government efforts to protect U.S. citizens and to disrupt illicit organizations that seek to harm our Nation and its allies and partners. CTF has the ability to disrupt and weaken terrorist and criminal adversaries in ways and places that traditional military weapons typically cannot reach. This capability is valuable across the full spectrum of conflict, including irregular and asymmetric warfare. CTF has proven to be a cost-effective tool to impact threatening forces and transnational criminal organizations, whether through law enforcement actions, designations, sanctions, or--as in the case of ISIL--through military actions against economic and financial targets.

As you know, ISIL owes much of its power and influence to its ability to generate significant funds from its territory and the population under its control. To remove this threat, the international community must disrupt ISIL's ability to finance and resource itself. DoD CTF contributes to this mission. It supports the Departments of State and the Treasury, which are the co-leads for the U.S. Government's line of effort to disrupt ISIL's finances. Over the past several months, ISIL has lost financial capacity and revenue. Coalition military operations informed by CTF have struck nearly two dozen ISIL bulk cash storage sites and multiple targets affiliated with ISIL's illicit oil industry. Recent estimates indicate ISIL's oil production has decreased by up to 30 percent, and their ability to generate revenue has been reduced by at least that much.

DoD CTF: Building the Institutional Foundation

Thanks in part to these and other successes, the demand for DoD CTF within and outside the Department has never been higher – and we expect demand to continue to increase in the years to come. In order for DoD CTF to continue supporting successes on the battlefield and in

law enforcement and diplomacy, we need to ensure that our CTF capability is well grounded in our Department's policy, planning, doctrine, training, and education.

Over the past two years, we've undertaken an initiative designed to give CTF within the Department a solid and lasting institutional foundation. Last October, the Deputy Secretary of Defense recertified DoD's Directive on Counter-Threat Finance Policy through 2020. This Directive, which is available to the public on DoD's Issuances website, "establishes DoD policy and assigns DoD responsibilities for countering financing used to engage in terrorism, illicit trafficking networks, and related activities that support an adversary's ability to negatively affect U.S. interests." The Directive also states that it is DoD policy to "work with other U.S. Government (USG) departments and agencies and with partner nations to deny, disrupt, or defeat and degrade adversaries' ability to use global licit and illicit financial networks to negatively affect U.S. interests."

We are working with the Joint Staff and the Combatant Commands to ensure that DoD plans and joint doctrine publications include CTF where appropriate. Collectively we're making progress on this effort, in part because of the increased demand for CTF and awareness of CTF's value within the Department.

U.S. Special Operations Command serves as DoD's lead component for synchronizing DoD CTF activities that transcend and traverse Geographic Combatant Commands' areas of responsibility. COCOMs and other DoD components coordinate their CTF activities closely with one another. This integration is essential given the fluidity of money and resources and the transnational nature of threat networks.

The Armed Services are taking steps to include CTF as appropriate in professional military education, in specialist training courses, and in pre- deployment training. The Department also is developing a standardized CTF analyst course curriculum that will strengthen and expand upon our current course offerings in basic and advanced CTF. The Armed Services are also taking steps to track and access personnel with CTF skills and experience. To advance future CTF missions and help sustain CTF capabilities, DoD captures and shares lessons learned from CTF activities. For example, we have gathered and disseminated lessons learned on building threat finance cells based on the experiences in Iraq and Afghanistan.

DoD sustains its CTF capability across its planning, programming, budgeting, and execution process. The Deputy Assistant Secretary of Defense for Counternarcotics and Global Threats provides policy guidance, conducts annual program reviews, prepares budgets to support CTF programs across DoD's Future Years Defense Program, and executes CTF programs funded by the DoD Drug Interdiction and Counterdrug Activities appropriation. We use this process to prioritize our limited CTF resources so that we focus on those targets that pose the greatest threat to U.S. national security.

Conclusion

DoD's CTF activities contribute to all three pillars of its defense strategy as outlined in the 2014 Quadrennial Defense Review: Protect the homeland, build security globally, and project power and win decisively. DoD has taken significant steps to build a solid foundation for CTF. This foundation will enable DoD CTF to continue supporting U.S. military operations and law enforcement and diplomatic actions by our U.S. Government partners and continue cooperating with allies and partners. Congress's support for the DoD counterdrug authorities and counterdrug funding underpins the CTF program. Thanks to Congressional support,

executive branch partnership, and our talented DoD CTF personnel who work quietly behind the scenes, DoD CTF continues to provide a cost-effective capability against international terrorist and criminal adversaries that threaten our nation, its citizens, and our allies.

Thank you for this opportunity to share with you information about DoD's counter-threat finance program. I would welcome your comments and questions.