



**Statement of
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Before the
Senate Committee on Banking, Housing and Urban Affairs**

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Good afternoon Chairman Shelby, Ranking Member Sarbanes and members of the Committee. Thank you for inviting me to speak to you today regarding the 9/11 Commission's Recommendations regarding terrorist financing, specifically the FBI's findings concerning terrorist financing mechanisms used in the 9/11 plot and those in use today. As you know, the FBI has worked closely with the 9/11 Commission and its staff and we commend it for an extraordinary effort. Throughout this process, we have approached the Commission's inquiry as an opportunity to gain further input from outside experts. We took its critiques seriously, adapted our ongoing reform efforts, and have already taken substantial steps to address its remaining concerns. We are gratified and encouraged that the Commission has embraced our vision for change and recognized the progress that the men and women of the FBI have made to implement that vision. We agree with the Commission that much work remains to be done, and will consider its findings and recommendations as we refine our continuing transformation efforts.

Introduction

Among the successes achieved thus far in the war on terrorism, the FBI has made significant progress against both the operational and support arms of terror networks. With respect to the support arms, an essential component of the global strategy against terrorism has been to counter the manner in which terror networks recruit, train, plan and effect operations, each of which requires a measure of financial support. Inherent requisites to this financial support are the raising, movement and expenditure of resources. Those requisites leave trails, albeit complex, but nonetheless traceable and identifiable, through the global financial systems. The FBI follows those trails backward to identify and dismantle existing funding sources and facilitators. The FBI is also endeavoring to extrapolate and project those trails forward in extensive proactive efforts to prevent future

terrorist acts by identifying perpetrators, facilitators and systemic vulnerabilities in the financial system at large.

Discussion of the FBI's proactive efforts in terrorist financing investigations would be incomplete without referencing the financing mechanisms employed by the 9/11 conspirators and contextualizing the FBI's subsequent actions.

Financing the 9/11 conspiracy

The 9/11 hijackers used both domestic and foreign financial institutions to maintain, transfer and retrieve money. The hijackers deposited money into United States bank accounts, primarily by wire transfers and deposits of cash or travelers checks purchased overseas. Additionally, several hijackers maintained funds in foreign accounts, which they accessed in the United States through ATM and credit card transactions. The hijackers received funds from facilitators in Germany and the United Arab Emirates or directly from Khalid Sheikh Mohamed (KSM) as they transited Pakistan before coming to the United States. The plot cost the al Qaeda network approximately \$400,000 – \$500,000, of which approximately \$300,000 passed through the hijackers' established bank accounts in the United States.

Al Qaeda funded the hijackers in the United States primarily by three unremarkable means: wire transfers from overseas to the United States; the physical transport of cash or traveler's checks into the United States; and the accessing of funds held in foreign financial institutions by debit or credit cards. Once in the United States, all of the hijackers used the formal banking system to store funds and facilitate transactions. The hijackers spent money primarily for flight training, travel and day-to-day living expenses, such as food, lodging and transportation. Extensive investigation has identified no significant source of domestic self-sustenance.

Neither the hijackers themselves nor the financial facilitators overseas were experts in the use of the international financial system or sophisticated money laundering techniques. They caused a paper trail to be created, which linked them to each other and to their facilitators. Still, they were able to avoid the scrutiny of law enforcement, government regulators and private sector compliance authorities by conducting transactions in a routine manner that failed to raise any red flags in the international financial system. The hijackers and their financial facilitators used the anonymity provided by the vast international and domestic financial system to move and store their money. The money-laundering controls in place at the time were largely focused on drug trafficking and large-scale financial fraud and did not detect the routine transactions in which the hijackers engaged.

Nothing the hijackers did alerted any bank personnel to the terrorist plot. Their wire transfers, in amounts from \$5,000 to \$70,000, remained anonymous in the billions of dollars moving through the international financial system on a daily basis. Their bank transactions, typically large deposits followed by many small ATM or credit card withdrawals, appeared routine, especially for purported foreign students living in the

United States. Not one financial institution filed a suspicious activity report (SAR) pursuant to any transaction made by or on behalf of the hijackers.

The focus of the 9/11 financial investigation centered upon the genesis of the hijackers' funding. Contrary to conventional thought, Usama Bin Ladin did not access significant amounts of personal wealth and did not personally fund the al Qaeda plot from family inheritance. Understanding the full extent of al Qaeda's resources and providing actionable intelligence did, and still does, present challenges because of the fast and myriad means and methods for raising and moving relatively small amounts of money. Additional concerns to the FBI in the investigation and gathering of intelligence are instances of commingling of terrorist money with legitimate funds; the many layers and transfers between donors and the ultimate recipients of the money; the existence of unwitting participants; and the United States' government's reliance on foreign government reporting for evidence and intelligence.

The FBI and other domestic law enforcement and regulatory agencies have expended considerable effort on the extent to which charities fund terrorist networks. Islamic charitable giving, known as zakat, is one of the five pillars of Islamic faith and results in billions of dollars raised annually. In some instances, investigation and intelligence revealed that al Qaeda facilitators corrupted specific foreign branch offices of large, internationally recognized charities. In many cases, lax oversight and the charities' own ineffective financial controls, particularly over transactions in remote regions of the world, often made it easy for al Qaeda facilitators to divert money from charitable uses.

Before 9/11, al Qaeda moved money through both formal and informal banking systems. In those instances where the banking system was not dependable or where the transactions were susceptible to scrutiny from international law enforcement, money was moved through the informal, or hawala system. Al Qaeda also used couriers to move money because they provided a secure way to move funds. The use of couriers is advantageous because no outsiders, such as bank officials, are aware of transactions.

The hijackers, using several means, returned the remainder of their allowances, approximately \$26,000, to the financial support network in the UAE in the days just prior to the attack. The hijackers' efforts during their final days to consolidate and return funds to al Qaeda demonstrates their understanding of the importance of money, in any sum, to the organization and demonstrates the existence of a centralized support network that existed at that time.

Terrorist Financing Operations Section

Prior to the events of 9/11, the FBI had no mechanism to provide a comprehensive, centralized and pro-active approach to terrorist financing matters. While the FBI routinely examined financial records at the time of previous terrorist attacks, the events of 9/11 identified a critical need for a more comprehensive approach to financial matters. The Terrorist Financing Operations Section (TFOS) of the FBI's Counterterrorism Division was formed in response to this critical need. TFOS combines

the FBI's traditional expertise in conducting complex criminal financial investigations with advanced technologies and the critical legislative tools provided through the USA PATRIOT Act. TFOS has built upon these established mechanisms by developing cooperation and coordination among law enforcement, regulatory and intelligence agencies, both domestic and foreign, to an internationally effective terrorist financing investigative operation.

The mission of TFOS has evolved into a broad strategy to identify, investigate, disrupt and dismantle all terrorist related financing and fund-raising activities. The TFOS mission specifically includes: conducting full financial analysis of terrorist suspects and their financial support structures in the US and abroad; coordinating joint participation, liaison and outreach efforts to exploit financial resources of private, government and foreign entities; utilizing FBI and Legal Attaché expertise and relationships to fully develop financial information from foreign law enforcement and private agencies; working jointly with the intelligence community to fully exploit intelligence information to further terrorist investigations; working jointly with prosecutors and with the law enforcement and regulatory communities; developing predictive models and conducting data analysis to facilitate the identification of previously unknown or "sleeper" terrorist suspects; and providing the financial component to classified counterterrorism investigations in support of the FBI's counterterrorism responsibilities.

Intelligence gathering and information sharing is critical to these efforts. The intelligence community, including the FBI, produces and obtains tremendous amounts of classified intelligence information. While much of the information can be of significant value in terrorist financing investigations, the value will not be realized or maximized absent the ability to filter the information, analyze it, and disseminate it in an appropriate manner to those who can make the best use of the information. Toward this end, TFOS participates in joint endeavors with the Treasury Department, the Department of Justice, The Department of State, and the Department of Homeland Security involving potential terrorist related financial transactions. TFOS also has personnel detailed to the CIA's Counter Terrorist Center, who work directly with TFOS on financial intelligence matters. Immigration and Customs Enforcement (ICE) executive managers are also assigned directly to TFOS to coordinate investigations. In addition, each Joint Terrorism Task Force has designated a Terrorism Financing Coordinator to facilitate the financial component of terrorism investigations.

TFOS has access to data and information from established contacts at a variety of entities including: Banking Institutions, the Credit/Debit Card Sector, Money Services Businesses, the Securities/Brokerages Sector, Insurance Companies, Travel Agencies, Internet Service Providers, the Telecommunications Industry, Law Enforcement, State/Federal Regulatory Agencies, Public and Open Source Data Providers, the Intelligence Community and International Law Enforcement and Intelligence Contacts. Access to this type of information is governed by the Right to Financial Privacy Act, Fair Credit Reporting Act and other applicable statutes.

TFOS faces unique challenges in achieving the mission of identifying terrorist support networks and transactions. The inability to obtain records from other countries in a timely manner, the complexity of directly linking cash flows to terrorist operations or groups, and the difficulty of showing what domestic persons actually know about overseas foreign acts or actors all combine to heighten the difficulty of conducting investigations and prosecutions.

Post 9/11 financing mechanisms

Currently, the FBI possesses a greater understanding of terrorist financing methods than prior to 9/11. More sophisticated and effective processes and mechanisms to address and target terrorist financing have been developed and continue to evolve. Proactive approaches are increasingly utilized. The global awareness on the part of law enforcement, government agencies, regulators, policy-makers and the private sector of terrorist financing methods, suspicious financial activity and vulnerabilities has greatly increased since 9/11. International cooperation has reached unparalleled levels. Outreach with and cooperation from the private sector has been outstanding and continues to strengthen, particularly in the form of bi-lateral interaction between law enforcement and the financial institutions. The ability to access and obtain this financial information quickly has significantly enhanced the FBI's ability to identify, investigate and resolve immediate threat situations involving potential terrorist activity.

Past terrorist financing methods have included the use of informal systems for transferring value in a manner that is difficult to detect and trace. The intense international scrutiny on transactions focused on suspect accounts has led to the increased use of the informal banking system by terror networks. Efforts to counter the use of the informal banking system include: increased regulations for correspondent bank accounts; requiring securities brokers and dealers to file SARS; and requiring money transmitting businesses, which include any person who engages as a business in the transmission of money, to register with the Financial Crimes Enforcement Network (FinCEN).

As a result of intense domestic and international efforts, the al Qaeda financing network has been disrupted. Some terrorist operations may no longer rely on outside sources of money and individual cells may now be self-sufficient. Terrorist groups only remotely affiliated with al Qaeda, and dependent on al Qaeda as a source of inspiration rather than operational funding, continue to pose a significant threat. Given the relatively small amounts required for the commission of a terrorist act, serial transactions still make the formal banking system a viable option. TFOS is also committed to proactively identifying potential vulnerabilities in the financial infrastructure that terrorist groups could exploit.

Strategy - International cooperation

The FBI recognizes the value of the experience and knowledge of our law enforcement colleagues around the world. Even before the tragic events of 9/11, the FBI worked closely with our international counterparts in law enforcement through our Legal

Attaches (LEGATs) and international partners whose liaison offices in the United States. The FBI has long understood the need for greater international cooperation in the war against terror, and a large part of the mission of the FBI has been to establish better relations and closer ties with law enforcement agencies in other countries. Only through greater international cooperation can the FBI achieve its primary mission of preventing terrorism. The U.S. government recognizes the value of enlisting the international community in efforts to stop the flow of money to al Qaeda entities. To this end, TFOS has engaged in extensive coordination with authorities of numerous foreign governments in terrorist financing investigations.

Extensive training and support of international investigations by TFOS has led to Agent visits/exchanges and training programs involving a variety of countries from Europe, Southeast Asia, the Middle East and South America. In support of specific high profile joint terrorist financial investigative matters, a number of countries and agencies, including the United Kingdom, Switzerland, Canada and Europol, have detailed investigators to TFOS on a temporary basis. TFOS has engaged in extensive coordination with authorities of numerous foreign governments in terrorist financing matters, leading to joint investigative efforts throughout the world. These joint investigations have successfully targeted the financing of several overseas Al Qaeda cells, including those located in Indonesia, Malaysia, Singapore, Spain and Italy. Furthermore, with the assistance of relationships established with the central banks of several strategic countries, successful disruptions of Al Qaeda financing have been accomplished in countries such as the UAE, Pakistan, Afghanistan, and Indonesia.

TFOS has developed a specific terrorist financing/money laundering crimes curriculum for international training which includes topics such as: acquiring and handling evidence in document intensive financial investigations; major case management techniques; forensic examination tools; and methods of terrorist financing. At the request of the US Department of State, TFOS has led an interagency team to provide this curriculum to a number of countries identified as needing law enforcement training on conducting terrorist financing investigations.

The FBI, in coordination with the Treasury Department and the Department of Homeland Security, pursues an aggressive agenda on the international level to promote the enactment, implementation and enforcement of comprehensive and global anti-money laundering and asset forfeiture laws as well as regulatory measures. The Department of Justice is involved, with the Treasury Department and the Department of Homeland Security, in the Financial Action Task Force's (FATF) mutual evaluation process, which has been adopted by other FATF-like regional bodies. This has proven to be effective for motivating nations to improve their anti-money laundering laws and enforcement. More than 100 nations drafted and passed laws addressing terrorist financing and money laundering. Moreover, the FBI has assisted in a broad diplomatic and educational effort to increase awareness in other countries of some of the basic methods of raising and moving money in support of terrorist activities.

Unfortunately, various nations have critical deficiencies in their anti-money

laundering regimes. They have not enacted laws that prohibit money laundering, nor do they aggressively enforce existing anti-money laundering legislation. Furthermore they fail to cooperate internationally with the investigation and prosecution of money launderers and terrorism financing organizations. It cannot be overstated that non-compliant countries have the potential to put the entire international financial system at risk.

Conclusion

Success in the war on terrorism cannot be measured merely in the form of assets seized or funds blocked, but in the ability to prevent future acts of terrorism. Whether through prosecution, disruption, the blocking and freezing of funds or allowing a funding mechanism to remain in place in order to further an investigation, prevention remains the prevailing focus. Since different circumstances demand different approaches, the best strategy in any given circumstances can only be determined from an overall assessment of the situation at hand, in conjunction with careful coordination with and the cooperation of all agencies involved.

The war on terrorism will likely consist of many battles. It will not be won overnight nor will it be won without the highest levels of cooperation among law enforcement and intelligence agencies around the globe. Terrorism knows no borders or boundaries. This threat is not limited to any one region of the world. Therefore it is essential for all law enforcement and intelligence agencies throughout the world to ally their tremendous resources and expertise against the common enemy of terrorism.

Thank you for the opportunity to testify before you today and to highlight the FBI's investigative efforts and the role of the FBI in combating terrorist financing. It would be my pleasure to answer any questions you may have.