

**COMBATING THE NETWORKS OF ILLICIT FINANCE  
AND TERRORISM**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON**  
**BANKING, HOUSING, AND URBAN AFFAIRS**  
**UNITED STATES SENATE**  
ONE HUNDRED EIGHTEENTH CONGRESS  
FIRST SESSION  
ON  
EXAMINING HOW TO COMBAT THE NETWORKS OF ILLICIT FINANCE  
AND TERRORISM

OCTOBER 26, 2023

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## **COMBATING THE NETWORKS OF ILLICIT FINANCE AND TERRORISM**

**THURSDAY, OCTOBER 26, 2023**

U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,  
*Washington, DC.*

The Subcommittee met at 10 a.m., in room SD-538, Dirksen Senate Office Building, Hon. Sherrod Brown, Chair of the Committee, presiding.

### **OPENING STATEMENT OF CHAIR SHERROD BROWN**

Chair BROWN. The Senate Committee on Banking, Housing, and Urban Affairs will come to order. Welcome our new, perhaps permanent now, Ranking Member, but at least in her first year on the Committee she is Ranking Member today. Nice to see you, Senator Britt.

Senator BRITT. Thank you. Nice to see you.

Chair BROWN. Earlier this month, the world watched in horror as Hamas committed brutal acts of terrorism against the people of Israel. Hamas murdered innocent women and men and children. They attacked teenagers at a music festival. They took hostages—families, kids. All of us are horrified. In the days and weeks that follow, the United States has taken strong, swift actions to support Israel as they defend their country against terrorism and to aid civilians in Gaza. Now it is vital to our national security that we provide critical assistance to Israel, including robust military, economic, and humanitarian aid desperately needed for those harmed by Hamas' terrorism.

We must stand with both Ukraine and Israel as they fight back against two of the world's biggest threats: Putin and Iranian-backed terrorists like Hamas. This is not a time to play politics. We must stand united with our allies, and we must defend American interests. We need to confirm key national security nominees who play a critical role in working with their Israeli partners. We have had too many delays already. Right now, politics holds up several key positions: the Ambassador to Israel and at least 12—12—key military personnel that directly impact that part of the world, preventing important work in the Middle East. It is why people think Washington does not work. Political grandstanding, especially as we have seen in the House, but way more than that, is hurting America's ability to effectively protect our interests at home and abroad, keeping talented Ambassadors and career military personnel on the sidelines.

On this Committee, as the Ranking Member knows, Senator Kennedy knows, Senator Tester knows, we have a long history of keeping politics out and working together to address threats from Russia, North Korea, and China and Iran. In the aftermath of October 7th, we are again confronting a challenge to the civilized world. Our humanity compels us to combat terrorism and to hold State sponsors of terrorism, like Iran, accountable. We must be clear. We must speak with one voice. There is no justification for terrorism, none, ever.

On this Committee, we have a unique role to play, working to understand the financing behind Hamas' attacks so we can work to cutoff funding for terrorism at its source and work to prevent future attacks. Iran has an alarming history of supporting terrorist proxies engaged in unspeakable atrocities. It is clear they provide significant funding for the military wing of Hamas. They provide training. They provide capabilities. We will assess what additional economic tools we need to stop State sponsors of terrorism, including Iran, from supporting Hamas, Hezbollah, Palestinian Islamic Jihad, and other terrorist proxies. We will examine multiple terrorist funding streams, including cryptocurrency. We will consider additional measures to stop the flow of these funds.

In response to the brutal and horrific attacks, last week, the Treasury Department's Office of Foreign Assets Control imposed additional sanctions on key Hamas terrorist group members, operatives, and financial facilitators located in Gaza and elsewhere, including Sudan and Turkey and Qatar and Algeria. This action specifically targeted those managing assets within a secret Hamas investment portfolio, a Qatar-based financial facilitator with close ties to the Iranian regime, a key Hamas commander, and a Gaza-based virtual currency exchange and its operator.

That is not enough. The Administration must take additional steps to impose sanctions, and dedicate resources toward a multilateral effort to coordinate with allies to track and to freeze and to seize any Hamas-related assets, and take steps necessary to deny Hamas terrorists the ability to raise funds. We need to not only identify the bad actors, but identify their money pipelines so we can shut off their funding. We must undertake a more robust approach to identifying and preventing transactions that take place not only through financial institutions, but also through trade-based money laundering, cryptocurrency transactions, and other channels designed to avoid detection.

On this Committee, we have raised the alarm about crypto and its role in illicit finance, including the use of crypto to fund terrorists and enable rogue Nations financing them. Crypto platforms too often do not use the same commonsense protections that keep illicit money out of the traditional banking system, safeguards like knowing their customers or suspicious transaction reporting. Some crypto services and tokens even help users keep their transactions anonymous, and when law enforcement attempts to trace or block crypto funds, it becomes a game of Whack-a-Mole. They stop one transaction, and criminals move on to another platform with another alias again and again and again. Terrorists know they can use crypto in ways they could never use dollars. It is why President Trump's Justice Department warned back in 2020 that terrorists

groups, including ISIS, al Qaeda, and the military arm of Hamas, were raising funds using cryptocurrency. Not surprisingly, after the attack it was reported that Hamas had raised millions of dollars in crypto to fund their operations. We need to crack down on the use of crypto to fund terrorism and evade sanctions.

Last week, Senator Warren and I, along with more than a hundred of our colleagues of both parties, wrote to the Administration to voice concern about these issues. I am glad that Members of this Committee, including Senator Reed and Senator Warner, have put forth bipartisan plans for closing gaps around digital assets in our illicit finance rules. These are important steps forward. I welcome more ideas from anybody on this Committee and anybody at the witness table and anybody in the audience. We will work together on this Committee in a bipartisan way to make sure terrorists and bad actors cannot exploit crypto. This Committee and the Senate have a bipartisan history of combating the ways in which Iran threatens the region, not just nuclear weapons development, but also its support for terrorism.

There has been a steady drumbeat recognizing the need for the United States and our allies to maintain and ramp up sanctions on Iran's harmful and destabilizing activities. The Senate voted overwhelmingly to support the Countering America's Adversaries Through Sanctions Act to impose sanctions on Iran and North Korea and Russia. We passed the Hezbollah International Financing Prevention Amendments Act, which imposed sanctions on Russia, Iran, or any other foreign Government supporting Hezbollah. And do not forget, this Committee acted together to tighten the rules around anonymous shell companies, which too often operate here in the U.S. and which fund criminal syndicates and terrorists alike. We strengthened our money laundering rules and our sanctions tools in a bipartisan way. We will do it again. We need a comprehensive approach to shutting off Iran's funding sources, not just the \$6 billion, but the many more billions of dollars Iran uses to continue its destabilizing activities around the world.

Now is the time to act. I look forward to working with colleagues on this Committee to stem terrorist financing, to address the problems posed by crypto, and to further strengthen sanctions. Ranking Member Britt.

#### **OPENING STATEMENT OF SENATOR KATIE BOYD BRITT**

Senator BRITT. Thank you, Mr. Chairman. On behalf of Ranking Member Scott and my fellow Republican colleagues, we would like to welcome Senator Butler as the newest Member of this Committee.

On October 7th—it is a date that will forever live in infamy—it has been nearly 3 weeks since Hamas terrorists crossed into Israel to attack our great ally and our friend. Make no mistake, this was an act of pure evil. I just returned from a trip from Saudi Arabia, Israel, and Egypt just this past weekend. I traveled with a bipartisan group of colleagues to send a message loud and clear to the world that the United States of America stands with Israel.

We saw firsthand what was truly unimaginable. These barbaric terrorists wore GoPro cameras as they committed these atrocities, so you can watch as babies were decapitated, children shot to death

in front of their parents, parents slaughtered in front of their children, young women raped, entire families burned to death, daughters and sons, sisters and brothers kidnapped and taken into Gaza as hostages and human shields. Over 1,400 innocent people were murdered in Israel that day, and more than 200 were taken hostage. The State Department reports that at least 10 Americans remain as hostages and that at least 33 U.S. citizens were killed on October 7th. As we sit here, we know who committed these acts of evil, these acts of terror— Hamas—and we know who funds them and trains them. That is the Iranian regime.

That brings me to why we are here today. This Committee has jurisdiction over our Nation's economic national security tools, including sanctions. We must use every tool at our disposal to ensure that those who carried out these attacks and those who financially supported them will never be able to do that again. This Committee is also responsible for providing oversight to ensure that every Administration enforces the laws that safeguard our national security and the security of our allies. That includes holding the Administration accountable when it chooses to waive or neglect those tools. That is why I would like to echo Ranking Member Scott's request that Treasury Secretary Yellen testify before this Committee as soon as possible.

There is no question that Iran is complicit in supporting Hamas. Remember, evil cannot exist if the good are unafraid. Iran is the world's leading State sponsor of terrorism, providing hundreds of millions of dollars to support organizations like Hamas and Hezbollah, as well as military training, weapons, and munitions. Despite decades of Iranian support for similar atrocities, including those that have killed Americans, the Biden administration has opted to continue the failed policies of appeasement that began during the Obama administration.

We all know that money is fungible. Despite the Administration's claim that when you release \$6 billion to Iran, that frees up an equivalent of \$6 billion in other funds to be dedicated somewhere else, such as supporting proxy terrorists in Gaza. The Administration should permanently restrict these funds, but since they were recklessly willing to release them in the first place, I urge all of my colleagues here today to support Ranking Member Scott's Revoke Iranian Funding Act, of which I am an original cosponsor, and this would take care of it.

The Administration took actions last week to sanction a number of Hamas operatives and financial facilitators, but it was too little, too late for what happened on October 7th. How long has the Administration known about these financiers of terror and yet failed to act? These are answers that we need from Secretary Yellen. The Executive branch largely has the tools it needs to sanction State sponsors of terrorism. This Administration needs to actually use those tools that are in their toolbox and enforce them. We need to return to a Maximum Pressure posture toward Iran, imposing bone-crushing, comprehensive sanctions that squeeze Iran financially dry.

I also want to address one more important topic about this issue here at home, in a literal sense. On college campuses and in cities across the country, including this week in our Nation's Capital City

and even in the halls of Congress, we have seen anti-Semitic protests justifying and even glorifying the actions of Hamas. This is spreading propaganda, and it is absolutely unacceptable. I never thought that in the United States of America, in this time, we would struggle to just call evil, evil. The actions of Hamas should not be applauded, celebrated, or praised by any American. They are not only contrary to the core values of our Nation, but to every fiber in our being.

Remember, the State of Israel was created following the Holocaust so that Jewish people would never have to hide again, but yet that is what we are seeing happen today. And as Americans, we have pledged since World War II, never again. Since October 7th, that promise has been under attack, both in Israel and here at home. We have a moral obligation to fulfill our promise and that under our watch, never again means never again.

And I will wrap up by saying I have sat in rooms with families whose loved ones are being held hostage twice, both here in the United States and when I was in Israel just a few days ago. You see pictures like this of precious Abigail, 3 years old, that Hamas is using as a human shield, who, when you learn her story and the story of the remaining hostages, it will tear your heart out. We must do more. This Committee has the power to help ensure this never happens again. This Committee has the power to prove that America still knows good from evil.

I look forward to hearing from today's witnesses about solutions, ways that we can work together that will allow the United States to stand shoulder to shoulder with Israel, projecting unwavering American strength to deter more hostile aggression, and hold accountable both those who carried out these terrorist attacks and those who supported them. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Britt. In spite of challenges, we will continue to do bipartisan work in this Committee.

I will introduce today's witnesses. Dr. Matthew Levitt is the Director of the Reinhard Program on Counterterrorism and Intelligence. He is a Fromer-Wexler Senior Fellow at the Washington Institute for Near East Policy. He has authored numerous publications on terrorism and illicit finance. Welcome, Dr. Levitt.

Ms. Danielle Pletka is a Distinguished Senior Fellow in Foreign and Defense Policy Studies at AEI, previously a staff member for Middle East and Southeast Asia for the

Senate Committee on Foreign Relations. Welcome back to the Senate, Ms. Pletka.

And Dr. Shlomit Wagman is an Affiliated Scholar at the Harvard Kennedy School, a former Chair at the Israel Money Laundering and Terror Financing Prohibition Authority. She has extensive experience and expertise in financial regulation, digital assets, money laundering, and terrorism financing. Thank you for making the trip to testify here.

Dr. Levitt, you can begin.

**STATEMENT OF MATTHEW LEVITT, DIRECTOR, REINHARD PROGRAM ON COUNTERTERRORISM AND INTELLIGENCE, FROMER-WEXLER SENIOR FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST POLICY**

Mr. LEVITT. Chairman Brown, Ranking Member Britt, distinguished Members of the Committee, thank you for the honor and opportunity to testify before you today. The bipartisanship I see on this issue is a welcome breath of fresh air.

I think we need to recognize that the attack on October 7th was one of the worst acts of international terrorism by any measure, including if only by measuring the number of American victims that were targeted. As we think about how Hamas is financed, we need to understand a few things. There will be a tendency to try and figure out right now how this attack was financed. There will be time for that, but I think we need to take a step back. This attack was financed over decades. Hamas has been able to raise funds through multiple means over a long period of time. That is the underlying issue here, not just the money that came in for this particular attack.

There have been constants and there have been developments in Hamas' financing over the decades. The constant is Iran, full stop. Iran has funded Hamas since it was founded in late 1987, generally a continual uptick in funding. Even when Hamas and Iran broke over Hamas' refusal to back the Assad regime in Syria, the funding from Iran did not completely stop. They cut back some of their funding for the political activities, but the funding for the military activities did not stop at all, and pretty soon after, it picked up in full measure.

One of the things that is a development, however, is that in 2007, Hamas took over the Gaza Strip by force of arms, force of arms, it should be noted, not against the Israelis, who had already withdrawn, but against fellow Palestinians. When they did that, they created a problem that we just saw and experienced with the Islamic State. What happens when a terrorist group controls territory? You are able to tax. You are able to extort. You are able to racketeer. You are able to control borders. You are able to control customs, and you raise a tremendous amount of money.

So recently, Hamas' single largest source of income has been controlled territory, probably at least 2 or 3 times as much money as they get from the Iran, and the U.S. Government says that that is at least \$70 to \$100 million a year from Iran. It is probably somewhere between \$300 million and \$450 million that they have been able to raise through control of territory. If the Israelis succeed in dislodging Hamas from their governance and military infrastructure project in Gaza, that will be the single most significant way to deny them funds, but it will also remove from Hamas their largest expenses. They will not have to pay teachers' salaries and collect garbage, so they will need less money to continue terrorism, as we saw with the Islamic State. We are not going to destroy Hamas, we did not destroy Islamic State, but we can inflict territorial defeat on them, Hamas, as we did with the Islamic State.

There are two other primary ways that Hamas has raised money over time. One is abuse of charity. At one point, the largest Muslim charity in the United States was a charity created by Hamas, The

Holy Land Foundation for Relief and Development, in Richardson, Texas, outside Dallas, designated by Treasury. Later, several of its leaders were convicted on all counts for material support to Hamas.

There was a period of time when this became less of an issue. It never stopped, but it was less of an issue. Now it is a bigger issue again, and just in the past few weeks, we see the Union of Good, an umbrella organization created by Hamas to oversee Hamas charities, designated by the U.S. Treasury years ago, active again soliciting funds. We see the revival of the Islamic Heritage Society, again, designated charity tied also to al Qaeda, based in Kuwait, raising money, millions of dollars for Hamas in the wake of the October 7th attack.

We should expect to see more. In fact, after every conflict that Hamas has started, we have been an uptick in funding, including not only through crypto, and we should anticipate that that will be the case here, too. Crypto is an important way of raising funds through crowdfunding, but I think it is an even more important thing in terms of how they move money, which I will get to in a second. And finally, the Hamas Finance Committee and its investment committees. There have been three Treasury designations about that, as the Committee just noted a moment ago. There is a lot to talk about there, in particular, the role of Hamas “politicians” overseeing these funds.

Finally, I will just say, we need to pay as much attention to how terrorist groups like Hamas transfer funds as we do to how they raise funds, and I am happy to talk about that, if there is interest, in the questions and answers. And we need to pay attention also not only to the funding, but the resourcing. Seventy to \$100 million a year from Iran, that is cash, but there are also weapons. Look at all the weapons the Israelis confiscated—Kalashnikovs, RPGs, anti-tank guided missiles. How did those move? How did they get there? I am interested not only in the cash but in the resources. At the end of the day, we can do even better than we have done on this target, and I think one thing we are going to have to do is better balance great power competition and counterterrorism. They are not mutually exclusive. Thank you so much for your time today.

Chair BROWN. Thank you, Dr. Levitt. Ms. Pletka, welcome.

**STATEMENT OF DANIELLE PLETKA, DISTINGUISHED SENIOR FELLOW IN FOREIGN AND DEFENSE POLICY STUDIES, AEI**

Ms. PLETKA. Thank you very much. Mr. Chairman, Senator Britt, Members of the Committee, I am honored to be here, and I am honored to be with these two witnesses.

Let me underscore at the outset that the big money, the big, big money in this terror financing story comes from Iran, and specifically from its oil sales. But let’s talk for a moment about the \$6 billion in cash that the Biden administration transferred to Qatar from accounts in South Korea for Iran’s use in September. That \$6 billion was advertised as payment for the release of five hostages, but it was also widely understood to be the consideration paid for an understanding between the Biden administration and the Iranian regime about its conduct over the coming months, an understanding constructed, of course, to evade congressional review

under the terms of the Iran Nuclear Agreement Review Act of 2015.

The Biden administration has said that it will not allow the money to be used right now. Qatar has sent mixed signals about whether that is correct or not. Should Qatar defy the wishes of the U.S. Government and proceed with the disbursement to Iran, there are steps that you can take. First, it is important for Congress to ascertain whether the Government of Qatar has agreed to make Iran whole while it withholds that particular \$6 billion from South Korea. In that scenario, Qatar could simply hand over its own cash to Iran and then pay itself back later. Second, if Qatar is actually disbursing the cash from South Korea, focus on the banks. If it chooses to become a financier of the Islamic Republic of Iran, the U.S. Government has options under law, as do you.

But let's talk about the really big money. Iran's total revenue from oil exports since 2021 is between \$81 and \$91 billion. Iranian foreign exchange reserves have doubled, growing from \$12.4 billion in 2020 to \$21 billion in 2023. Since 2021, the estimated value of Tehran's additional oil sales, the difference between its realized revenue and what it would have earned had its exports remained at the Maximum Pressure level, was \$26 to \$29 billion. How did that happen? It is simple. The U.S. Government allowed it to happen. Iranian oil sales have skyrocketed in the last 2½ years. Why? It is one thing: enforcement.

It is no secret that President Biden hoped to reenter the JCPOA. Simply, the White House or, more accurately, the Treasury Department, stopped imposing serious sanctions on Iranian oil exports. Who was buying it? Mostly the Chinese, although there are plenty of others that I have listed in my testimony.

Now the cost to Iran of supporting its terror proxies is not cheap. In 2018, the Treasury Department pegged Iranian aid to Hezbollah at more than \$700 million per annum. Hamas reportedly costs Iran about \$100 million, but there are other estimates that suggest that it is up to \$350 million a year. As Matt suggested, some of that is the cost of weaponry. Palestinian Islamic Jihad gets tens of millions.

To give you a sense of what happens when Iran has less money at its disposal, during the height of the so-called Maximum Pressure campaign, transfers to Iran's terrorist proxies dropped dramatically with Hezbollah is complaining to, of all places, the *Washington Post* about furloughs, cut salaries, and necessary withdrawal from Syria, where they were fighting to support the Assad regime. Hezbollah was so strapped for money, it doubled down on the organ trafficking, which also helps it earn.

Terrorist groups do have other sources of income. Hamas, as Matt said, earns substantial amounts from corruption, from taxes, from holding that territory of Gaza. But senior Hamas officials, who are located in both Gaza and Qatar, are worth billions. The head of Hamas is worth an estimated \$4 billion. His predecessor is worth an estimated \$2½. That is a lot of money.

So I want to turn back for a second to Qatar because we do not talk enough about it. What role does it play in the Middle East? It enjoys positioning itself as an entrepot, just a middleman with no real favorites. That is, if I may use a term of art, garbage.



Qatar's favorites are the Islamist extremists it promotes with its pet TV channel, Al Jazeera. Who lived in Qatar? The Taliban, al Qaeda, Hamas, ISIS leaders, all of them cheek by jowl with one of the U.S.' most important bases in the region, Al Udeid. Now is the moment Congress should be asking questions of Qatar.

What else should you do? Expose how U.S. assistance to both the West Bank and Gaza is enabling the perpetuation of Hamas' rule. Expose how UNRWA, the recipient of almost \$6 billion in U.S. assistance since 1950, has aided, nurtured, and fronted for Hamas. Ask why it is that Lebanon, a country ruled by Hezbollah, a beach-head of anti-Israel attacks at its northern border, has been able to skate without a State-sponsored designation. And if I may have about 20 more seconds to finish up. And most importantly, shut down the loopholes in sanctions enforcement that since 2021 have been permitted to facilitate Iran's accumulation of cash that funds and arms and trains Hamas, Palestinian Islamic Jihad, Hezbollah, and so many others. Specifically, use the language in existing legislation, like INKSNA—the Iran, North Korea Sanctions Act—to require that the Executive branch notify you of every instance in which it has credible information that there has been a sanctions violation, and justify to you its inaction in the case that it does not impose sanctions.

Second, use the language of CAATSA, which the Chairman mentioned, to require every waiver of sanctions to be notified to Congress with 30 days' notice, and put in place expedited procedures for an up-or-down vote in both chambers on whether to approve or disapprove that waiver. Go after the big money funneled to the terrorists by Iran. Go after the oil sales. Go after the terrorist enablers. That is what fuels the savagery of October 7th. Thank you.

Chair BROWN. Thank you. Dr. Wagman, welcome.

**STATEMENT OF SHLOMIT WAGMAN, AFFILIATED SCHOLAR AND FORMER CHAIR, HARVARD KENNEDY SCHOOL, ISRAEL MONEY LAUNDERING AND TERROR FINANCING PROHIBITION AUTHORITY**

Mr. WAGMAN. Thank you very much, Mr. Chairman Brown, Senator Britt, and distinguished Committee Members. I am honored to be here today and discuss with you terrorism financing. But before getting into the professional aspects, I would like to share with you a personal story, the story of two kids from my children's school in Israel, the Green Village.

Iftak and Yonathan, 8th and 11th graders from our school, spent the weekend of October 7th in the south of Israel getting ready for a peace festival organized by their father, Aviv in which they were supposed to send up to the sky dozens of kites to send a message to their neighbor, Palestinian, about peace and coexistence. On Saturday morning, instead of eating their pancakes, a group of terrorists broke into their house, placed all of them in their parents' bedroom, and slaughtered all of them together in their parents' bed. A family of five, three innocent children—two of them went to school with my children—were buried together last week.

At the same time, another person, Romi Gonin, a 23-year-old student, a nephew of one of my colleagues at the Israeli fintech,

Rapyd, was dancing in a music festival. That morning, the terrorists started to attack them. She got shot while escaping from the terrorists' bullets and kidnapped. There is a voice recording of hearing her saying that she was captured and that they are taking her. She is now being kept hostage in Gaza.

The Katz family is one of 1,400 people who were brutally slaughtered, burned alive, beheaded, and raped while at their home or at the music festival. Romi is part of 2,200 people from 37 nationalities, including women, children, and elderly, that are held hostage by Hamas in Gaza. Those horrifying stories against civilians seems to be taken directly from ISIL's playbook, and those creeds actually appeared in booklets of guidance found on ground after the attack.

And by talking about these attacks, I just want to take this opportunity to make it clear, especially in light of the conversations that are now being held over campuses in the U.S., including Harvard University, where I am located right now, that those people are not freedom fighters, full stop. Freedom fighters do not murder, brutally and in purpose, slaughter and rape, and all the other things, women, children, and elderly. Those are crucial terrorists who conducted horrible actions toward innocent civilians, and they are also taking very bad actions against their own people as well.

So as Hamas adopted obviously ISIS' practices, we, the global community, should also treat them in a similar manner and impose the full package of financial sanctions over Hamas, as was done with respect to al Qaeda and ISIS. As we all know, terror organizations cannot exist without funding. Those activities cost a lot of money, and there are many counterparts that fund that. In order to efficiently combat terrorism, we need to cut their oxygen, their funding, exactly like the U.S. did after September 11 and with respect to ISIS.

I was asked to focus in the discussion of my testimony today about the field that I am researching and writing about at Harvard and after leaving the Israeli Government and the FATF, about cryptocurrencies, and I will answer all your question on that respect and propose an action plan. But at the same time, I do want to highlight, let's do not lose sight and focus from the big picture.

Crypto is currently a very small part of the puzzle. The major funding channels are, were, and remain State funding. Iran and others, those are the major players. Most of the funds are still being transferred by the traditional channels that we all know from the past—banks, money transmitter, payment system, Hawala money exchange, trade-based terrorism financing, charity, cash, shell companies, and crypto.

The effort should be global and focus on imposing global sanctions on Hamas and their sponsors, as was the case with ISIS. We should ensure that we are doing the right designations and enforcing them, not only designation by certain countries like the U.S., the EU and others, but actually to create a global environment to make sure that all currency and all States are covered. We need to make sure that we have full transparency regarding the involvement of neighboring economies and additional measures.

As I see that my time is about to end, I will save my additional comments to the Q&A session. But I do want to highlight that the fight against terrorism financing indeed is a complex and chal-

lenging one, but it is a fight that we must win. We must protect our citizens from the threat of terrorism, and we must do it by cutting off the flow of money in terrorism organizations. Let us find a way to ensure that those actions will not happen again, not in Israel, and also not in other countries in the world. Thank you so much.

Chair BROWN. Thank you, Dr. Wagman. Before I begin questions, I would like to introduce the Senator from California, Senator Butler, for her first hearing on Housing, Banking, and Urban Affairs. Welcome. Glad you are here.

Dr. Levitt, I will start with you. Given Iran's role in funding terrorist groups and the array of financing possibilities available to Hamas, two questions about that. What is the most effective terrorist financing measure to restrict funding for Hamas, and does the same apply to Hezbollah?

Mr. LEVITT. So we are going to need to take a basket of actions regarding Hamas. If there was one thing I could do right now, it would be to take the Hezbollah International Finance Prevention Act model and expand it. Somebody explain to me, please, why we only apply secondary sanctions to some foreign terrorist organizations. One of the things I think we are already seeing, Treasury officials are going to the Gulf, Treasury officials are going to Europe, and this issue, Hamas financing, is top of the agenda. Anticipate that one of the things they are doing is very firm sanctions diplomacy.

I will give you an example. The most recent Treasury designation of Hamas targets, the finance committee and the investment committee, the third round of targets on these issues came this week. It is great. They targeted some important people. It has made a difference. At least one of those people, according to the designation, was still working for a Hamas front company in Turkey that was designated last time. If sanctions diplomacy alone will not convince, in this case, the Turks to do the right thing, secondary sanctions offer some pretty significant leverage to be able to get that done. The investment committees alone are raising hundreds of millions of dollars for Hamas. It is not illiquid, but it is there, and this is a very important issue, especially as Hamas loses control of territory, and we have to look at charity, investments, and Iran.

Second, I am kind of tired of people debating what role did Iran play in this attack. It will all come out eventually. There was a joint operations committee—their term, not mine—that Iran, Hezbollah, and Hamas have been running in Beirut for at least the last 2 years. Just yesterday, leaders of these terrorist groups were back meeting with Iranian leaders. Iran has funded, armed, trained, wound up, and pointed at Israel, Hamas, and other terrorist groups for decades, and we are pretending that we are surprised that Hamas is doing something like this.

Iran is ultimately responsible, and, therefore, there have to be consequences. Whether it is the \$6 billion, whether it is other things, Iran's ability to finance terrorism has to be dealt with today. And the idea of putting these Iran issues in silos, prioritizing only the nuclear program—which is important, do not get me wrong—at the expense of its sponsorship of terrorism and malign activities in the region, well, we saw the consequences. The

runt of the Iran threat network, the smallest and least capable of Iran's proxies, just brought the region hopefully just to the brink of regional war. Imagine what Lebanese Hezbollah, the Iraqi Shia militias, the Houthis could do, so the time to act is now.

Chair BROWN. Thank you. Dr. Wagman, a few years ago, the way terrorist groups exploited crypto was pretty simple. They raised money with Bitcoin. Walk through, if you would, how bad actors innovated, understanding that, as all of you said, one way or another, crypto is not the major source of funding. But talk, as it is growing and we learn more and more about crypto activities, whether it is drug running or child trafficking or financing terrorism, how are they innovating in how they use crypto? How do our legal and technological tools need to evolve so that we can keep up?

Mr. WAGMAN. Thank you very much for the question. So indeed crypto currencies can be a paradise for illicit actors because they preserve some sort of anonymity and coverage. In order to combat that, the international community via the Financial Action Task Force—the FATF—established a toolbox in order to be able to trace that. So now we have those standards, we are actually enforcing a set of rules in order to follow those activities and those actions.

We see that there is a major impact for that rules, and I could deliberate on that a little bit later, but at the same time we do see that bad actors are trying to avoid that. And with respect to people speak about Hamas, we see that there are two channels in which they are using that, first for fundraising from, you know, the public, doing crowdsourcing and so forth, and another way is to transfer fund between the organizations. However, as I mentioned, this is not a large part of their budget, but there is a tendency they may grow in the future.

The overall package of potential regulation—or not potential—actual regulation that is already enforced in many countries have proven to be very effective. Law enforcement community developed tools to investigate that, trace that, and follow that. And for example, the Israeli authorities were able to seize and freeze about \$7 million from Hamas in fundraising campaign that they ran, so this is one of the examples on how we could actually trace that. We see many organizations around the world that are still trying to work on that. They are early adopters, to some extent, but like any other field of terrorism financing and money laundering, this is a game, you know, between the good guys and bad guys.

Chair BROWN. Thank you. Senator Britt.

Senator BRITT. Thank you, Mr. Chairman, and on behalf of the Ranking Member and my Republican Colleagues, Senator Butler, we want to welcome you to your first Banking Committee hearing today.

As I mentioned, having just returned from Israel and seeing the evil that Hamas firsthand, I, along with my colleagues that went, a bipartisan delegation, are more committed now than ever to making sure that we look at every single opportunity to cutoff funding to Iran and to end all of this once and for all.

Mr. Levitt, you said, and you have served in various roles, obviously, when it comes to, you know, counterterrorism and financial intelligence, in both at the State Department and there at Treasury. I would like to know, given your experience in this space, you

talked about both the raising of money by Hamas and the transfer of money. I want to focus on the transfer. Tell me, practically speaking, how that works from money going from Iran to Hamas or Hezbollah.

Mr. LEVITT. Thank you for the question. There are multiple ways that Iran transfers money. First of all, it is able to fly money and goods to Syria, transfer them physically to Hezbollah, and then be able to transfer them on by trade-based money laundering, by Hawaladars, by money exchange houses, trade-based money laundering, into the West Bank or the Gaza Strip. We have even seen Iran and Hezbollah do things like deposit money into a third person's account who is not actually a Hamas member, maybe their wife's hairdresser, but, you know, when Hamas says do that, you are not really in a position to say no. We have seen them send people with credit cards, and so there are multiple ways to move the money.

Senator BRITT. So when you look at these multiple ways, if you were to just give an estimate of the percentage of Hamas and Hezbollah, their total revenue that comes from Iran, what would that number be? What would that percentage be?

Mr. LEVITT. The number that the U.S. Government has been using—and this is money, not other things, so it is total more—is about \$100 million for Hamas, fluctuating between \$70 and maybe \$120 probably at the higher end recently, and \$700 million to \$1 billion for Hezbollah, much, much larger budget.

Senator BRITT. So on the percentage-wise, though, if you were to kind of sort of take the total picture there, what number would you give that?

Mr. LEVITT. For Hezbollah, nobody knows is the simple answer. For Hezbollah—

Senator BRITT. But your guess.

Mr. LEVITT. —it is the overwhelming majority.

Senator BRITT. OK. Ninety percent?

Dr. LEVITT. They have their own—

Senator BRITT. I have heard on the ground, maybe 90 percent of their funding comes from Iran.

Mr. LEVITT. It is possible. Hezbollah has its own independent illicit financial streams, which are significant, probably less than 90, but it is a lot—

Senator BRITT. A lot.

Mr. LEVITT. —and it is constant.

Senator BRITT. So I want to shift gears just a little bit. Obviously, this Administration with regards to not enforcing Iran sanctions on the oil trade with countries like China, Russia, Venezuela, allowing Iran to profit over about \$80 billion since President Biden took office, I think without question the Iranian regime has used this \$80 billion in profits for a number of illicit activities, a lot of which we are talking about here today. So with adversaries like China, when they are unwilling and they just disregard U.S. sanctions and the Iranian regime directly benefits, I believe it is totally and completely unacceptable. My question to you is, what can we do better as a Nation, looking back, to stop this? What has the U.S. not done, and also, Mrs. Pletka, I would like for you to answer this.

What are we not doing from a U.S. perspective that we should be doing right now to stop this? Go ahead, Mr. Levitt.

Mr. LEVITT. So first of all, as I said earlier, we need to spend more time paying attention to how they transfer the funds because there are things we can do to frustrate their efforts. That is important because at the end of the day, for all these billions—

Senator BRITT. Mm-hmm.

Mr. LEVITT. —Iran is able to prioritize a billion, a billion bit. Even under Maximum Pressure, they were financing Hamas and Hezbollah. Second, we need to do more to target this income that Iran has because it uses so much of its income to finance not only Hamas and Hezbollah, but Houthis and Shia militias, too.

Senator BRITT. Absolutely, and I am so sorry. I am running out of time. Mrs. Pletka, do you mind speaking directly to that and what more the U.S. can do to crack down on these sanction violations?

Ms. PLETKA. We can crack down on the sanctions violations.

Senator BRITT. That is what I am talking about.

Ms. PLETKA. That is what is not happening. What we have done in the last 2½ years, there have been absolutely sanctions imposed, a lot of sanctions imposed on Iran, but in the oil sector, they have mostly been small ball.

Senator BRITT. OK.

Dr. PLETKA. We have gone after small traders. We need to go after the big purchasers, especially the Chinese, but India, Russia, and others. We do actually have leverage in the form of secondary sanctions, trade, and other tools at our disposal.

Senator BRITT. And last, I am running out of time, but you spoke specifically about loopholes that are being used. Can you speak into that so that we can know what we need to be doing differently?

Ms. PLETKA. As the Chairman noted, I used to be a congressional staffer, so I pay a lot of attention to legislation. The problem in a lot of legislation is that it does not force action. In other words, it does not force the Executive branch—Republican, Democrat, Martians, whatever they are—into doing something once they know. There are no good triggers in a whole series of important pieces of legislation, but that model exists in the Iran, North Korea Sanctions Act, which is when you see it, you must notify—you. And then you must tell us what you have done, and if you have done nothing, you must tell us why. That is a loophole big enough to drive billions of dollars of earnings for Iran through that then goes to our friends, the terrorists.

Senator BRITT. Thank you. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Britt. Senator Reed of Rhode Island is recognized.

Senator REED. Thank you very much, Mr. Chairman, and like Senator Britt, I had the opportunity to travel to Israel and the region last weekend, and the horrific events of the last several days have really, I think, focused the whole world on how we can disrupt and degrade these terrorist organizations. Mr. Levitt, one point I think you made, though, is even under the Maximum Pressure Campaign of President Trump, Iran was still funding these organizations at a robust level. Is that accurate?

Mr. LEVITT. It is. It is not pointing a finger at any one Administration.

Senator REED. Right.

Mr. LEVITT. But the fact is the numbers of \$100 million to Hamas and \$700 million to a billion to Hezbollah, were numbers that came out in the Trump administration. Because Iran does not care about its citizenry and does not prioritize it, it does not matter if people are freezing in a cold winter and do not have gas for their homes. They are going to prioritize, and because Iran is a big economy, even under sanction, it can do this.

Senator REED. Right, but that has to be considered when we think about imposing sanctions on Iran because, in fact, what they do is deprive, as you said, their own people of basic necessities in order to keep funding these revolutionary movements, in their view. Is that fair?

Mr. LEVITT. At the end of the day, Iran has to be held responsible for its significant role in these heinous attacks. Some of that is going to have to be sanctions.

Senator REED. Yeah. No, I agree. One of the issues, I think, is because of the proximity and also the controls that the State of Israel has on Gaza, particularly, and Hamas, is what role can we play with Israel to effectively interrupt the flow of resources, weapons materiel to Hamas?

Mr. LEVITT. I really appreciate that question because I think this is something that needs to get a lot more attention. How did all those weapons that Hamas just used get in? There is going to have to be a more robust maritime effort. There is going to have to be more robust surveillance of what goes into Syria. It cannot be all on the Israelis to do airstrikes targeting Iranian weapons supplies to Hezbollah in particular. We failed here. All of us failed here when you look at the weapons that got in, and we are going to have to do better. U.S. has unique capabilities here, and I think the Administration has been very, very clear that it intends to use them to help Israel.

Senator REED. And this would be a collaborative effort. Both the world community and Israel has to focus on these networks by both covert and overt means, such as tracking bank accounts, et cetera. But I think, frankly, this was an area that we all missed, you know, or we tolerated in that we knew this money was going into Hamas, but there was no preemptive action by any of the major powers. Is that fair?

Mr. LEVITT. There was a lot that was missed, but there was also a major policy error, by everybody involved, on the calculation that Hamas was deterred, and that so long as money went in for salaries, and it is not just that we knew it. We encouraged it. The Israelis encouraged it so that there would be calm in Gaza. That calculation failed miserably—

Senator REED. Yes. Yes.

Mr. LEVITT. —and is going to have to be revisited.

Senator REED. No, I think you are absolutely right. I think there was a perception that Hamas had become just another sort of organized crime operation with no serious plans to attack Israel, and as long as we paid them off, we would be OK. That is a little bit vernacular, but I think that since has some relevance.

Mr. LEVITT. Sir, I think it is spot on. I cannot reiterate enough Hamas did not attack because of occupation. Hamas did not attack because there is no two-State solution. Hamas is dead-set against a two-State solution or any solution that would have anything but an Islamist State and no Israel.

Senator REED. You know, again, I think Hamas hates Israel and has no regard for the Palestinians either. They are pawns in their operations, and we have to recognize that as well as their profound hatred of Israel and the State of Israel. Dr. Wagman, one of the things that we have been working on with my colleagues, Senator Warner, Senator Rounds, and Senator Romney, is legislation that would go after the intermediaries, the decentralized financed arrangements. Could you comment very briefly—I am running out of time—about that?

Mr. WAGMAN. Yeah, sure. So in order to conform to the threats of this technology—like any other technology, it can be used in many different ways—a toolbox should be developed and actually has been developed and should be continued developing, in order to be able to do some tracing and to have some accountable parts that we will be able to identify the bad acts that are going there. Because most of the activities is going over the blockchain and there is a lot of transparency, we could actually use this technology in order to trace the bad actors.

One of the things that we have recently seen is that Hamas stopped its fundraising through Bitcoin because the Israeli authorities were able to trace that. And perhaps to add to that, it is not only the intelligence community that is able to do that, but here, because everything is transparent, we could do a lot of work by the private sector. And we see a lot of crowdsourcing activities of people that actually go after and try to find those networks and then report that to the authorities. So that is a very interesting balance that changed in intelligence communities.

Senator REED. Thank you very much. Just for the record, the bill number is S. 2355, so I ask for support.

Chair BROWN. Thank you, Senator Reed. Senator Tillis from North Carolina is online, I think, from his office.

Senator TILLIS. Thank you, Chairman, and thanks to the panel for being with us today. Ms. Pletka, I wanted to talk a little bit more, drill down a little bit more, based on your opening statement, about the complex web through which Iran funds terrorist operations, including Hamas and Hezbollah, but I would like to shift a bit more toward Qatar. We know that they provide aid. We know that money is fungible. Can you tell me, if you have any information available for the Committee, give me an idea of what we should be concerned with in terms of those money flows and, with money being fungible, being used for malign purposes versus the purposes originally intended?

Ms. PLETKA. Thank you for the question. So I think, as Dr. Levitt mentioned, part of the challenge here is that Qatar plays a double role. The first is helpful interlocutor, a neutral Government that provides money to Hamas to take the pressure off, something that the Israelis and the Americans and others have long been aware of. The problem is that, first of all, this arrangement, a deeply, deeply Faustian deal that ended up helping Hamas gather the



money necessary to do what it did on October 7th, but there is blame to go around. But the broader problem is that Qatar is a home, a home for terrorists, a home for terrorist money. It is a place where Ismail Haniyeh, the head of Hamas, lives in enormous wealth, \$4 billion. Yes, part of that is in real estate in Gaza. Part of that is in real estate elsewhere. Part of that is in villas.

This cannot be. We cannot have, on the one hand, a U.S. base and a nominal friend who also presents a homeland for every single terrorist group that, by the way, has been responsible not simply for the murder of Israelis, not simply for the murder of Americans in Israel, but responsible for the murder of Americans in Iraq, responsible for the murder of Americans all around the world. This is the challenge, and my most important priority here is to ask the question, what are they doing? How are they doing it? Are they providing financial flows to Hamas outside the arrangements they made? Of course they are. Are they providing financial arrangements to ISIS and to Hezbollah, as has been alleged in years past? Probably. They have unique influence with those groups, and unique influence does not just come from being a nice guy in the Middle East.

Senator TILLIS. Yeah, and honestly I think you have answered those questions. I believe probably that you are correct, and we need to get to the bottom. I want to talk a little bit about the Biden administration where I am at odds with their Middle East strategy and the assumption that Iran is a rational and could potentially be a good-faith actor. I do not see any logic behind that, and I think it was that logic that led, at least initially, to the \$6 billion that was going to be released to Iran.

So does anything—and Ms. Pletka, this is for you or anyone on the panel that may want to answer—does anything lead you all to believe that having that posture from this Administration is productive and has any foundation or justification? And, Ms. Pletka, we will start with you, but I am just trying to get why we would think that Iran has any role to play in deescalating the tensions in the Middle East, based on their past behavior.

Ms. PLETKA. Well, this was a conceit of the Obama administration, that, in fact, if we could get Iran to step away from its aggressive nuclear weapons program, that they would eventually evolve into a more constructive player in the region. The reverse has been true. I do not think there is any reason on earth—after Iran has armed the Hashd al-Sha’bi, the Popular Mobilization units in Iraq, Hezbollah in Lebanon, the Houthis in Syria, Hamas, Palestinian Islamic Jihad, and numerous other groups—there is no reason to believe why Iran has a constructive role to play in any sense.

And let’s not forget, please, we talk about what Iran does to these countries, how Iran has been responsible for the death of Americans and Israelis. Let’s not forget what Iran does to its own people. Mahsa Amini was a great cause for us last year. Last week, they murdered another 16-year-old girl for exactly the same reason. This is an execrable regime. I am going to leave a second for you, Matt.

Senator TILLIS. Yes, Mr. Chair, if I may, because I want to be mindful of time, if anyone on the panel disagrees with the position

that I have taken or the response from Ms. Pletka, I would like to give them equal time.

Mr. LEVITT. Thank you so much for the question. I am too smart a man to disagree with Danielle Pletka publicly, but I do think, at least in my conversations with Administration officials, I have yet to hear anybody use that type of language. I do not know anybody in the Biden administration who thinks Iran has a constructive role to play. I think there were people who think—

Senator TILLIS. Then maybe perhaps you could get to why we would actually—well, we know the mistakes of the Obama administration—but why we would even put \$6 billion on the table if, in fact, that is not true.

Mr. LEVITT. I think the \$6 billion, which I had problems with, was entirely about securing the release of American citizens. And if someone else had a better idea for how to secure the release of these Americans, I would be all ears. Giving Iran \$6 billion was extremely uncomfortable, but I think it was not in a vacuum. We were trying to secure the release of Americans, which is a national priority.

Senator TILLIS. But I think the irony of it is, money being fungible, it could be those very dollars that now have some 200 people being held hostage by Hamas. Thank you, Mr. Chair.

Chair BROWN. Thank you, Senator Tillis. Senator Menendez of New Jersey is recognized.

Senator MENEDEZ. Thank you, Mr. Chairman. Through Iran's funding of terrorist organizations, it continues to work toward the delegitimization of Israel. Iran has to be held accountable for its role in funding Hamas and other terrorist groups, and while I applaud the Treasury Department's recent sanctions on individuals identified as key Hamas terrorist group members, operatives, and financial facilitators, much, much more has to be done to prevent malign actors like Iran from financing proxy terrorist groups.

Ms. Pletka, in a recent article, you wrote that the United States has chosen not to enforce its sanctions on Iran. It is certainly bothersome to me since I was the architect and author of most of those sanctions. What do you mean by that, and what recommendations do you have for the U.S. to do better enforcement of existing sanctions?

Ms. PLETKA. Thank you, sir, and Menendez-Kirk is great legislation, so thank you for your leadership on that. As I said in my opening testimony, I think there is a lot that Congress can do to tighten the screws. Why do I think the Administration is not enforcing sanctions? There is a hope, there has been a hope, that the United States could either modernize or reenter the JCPOA as it was if it was able to secure Iranian cooperation. To me, that is a fantasy land, but it certainly represented the ambition at the beginning of the Administration. I hope it is no longer.

What can you do? First of all, we need to go after everything, and that, I think, has been the message from the entire table. We need to go after all spigots that are funding Iran and enabling Iran to fund its proxies around the region. That means oil sales. It means every other activity that the Iranians are involved in. We see these illicit oil sales. We also see, by the way, illegal transfers between

Russia and Iran exchanging grain for oil. All of these are opportunities.

We have task forces in the Persian Gulf that can be used to interdict ships. We have options at our fingertips to deny even ships on the high seas insurance, to go after them in a whole variety of ways, but the most important thing is to impose a cost on the buyers. They are the ones helping Iran fund these groups, and most importantly in that group is the Chinese Government, the Communist Chinese Government in Beijing.

Senator MENENDEZ. Yeah, and that is an issue I have raised before, which is the Chinese are buying enormous amounts of Iranian oil and Russian as well, and so at the end of the day, you have to make a conscious decision. If you really want to sanction and stop the flow of money, you have to pursue, as you suggest, the buyer because without a buyer, there is not a flow of money at the end of the day.

In September, you know, the U.S. agreed that it would unfreeze \$6 billion in Iranian funds. However, in light of Hamas' attack on Israel, the U.S. and the Qatari Government have agreed to temporarily prevent Iran from obtaining access to the \$6 billion. It seems to me that the goal of any sanctions regime is to use economic leverage to bring about changes in a foreign actor's behavior. With that said, Iran is obviously openly hostile toward Israel. It supports Hamas, and while it denies that it assisted Hamas' terrorist attack against Israel, Hamas does not have the intelligence and technological capabilities to launch such an operation. That can only come from a State actor, and the only State actor who would help Hamas is Iran.

Dr. Wagman, should not one of the conditions for unfreezing the \$6 billion is the cutting of all ties by Iran to Hamas and its flow of money to it?

Mr. WAGMAN. Thank you for the question. I am not fully familiar with the U.S. policy and approach in those aspects, but I would say that obviously Iran is financing Hamas, and I do believe that any action that can prevent that should be taken, anything that stop the funding to Hamas.

Senator MENENDEZ. Well, it just seems to me, and of course we always want to get American citizens back, but that brings a larger question. We should not let American citizens travel to countries where they are likely to be hostages, i.e., Iran, Russia, and others, because then we put ourselves in a hostage situation. But it also, I think, encourages other countries to say if you detain Americans illegally, then you can hit a cache of gold, and that is something that we just simply should not allow. Thank you.

Chair BROWN. Senator Kennedy of Louisiana is recognized.

Senator KENNEDY. Thank you, Mr. Chairman. Dr. Levitt, Hamas runs Gaza. Is that correct?

Mr. LEVITT. Yes, sir.

Senator KENNEDY. And lots of people help Hamas, do they not?

Mr. LEVITT. There are people who help. There are lots of people in Gaza who oppose Hamas as well.

Senator KENNEDY. Well, Qatar sends Hamas \$10 million a month to run the place, does it not?

Mr. LEVITT. It has.

Senator KENNEDY. The Palestinian Authority, which the people of Gaza rejected in favor of Hamas, pays Gaza's electricity bill. They keep the lights on for Hamas, do they not?

Mr. LEVITT. Well, to be clear, the people of Gaza did not reject the Palestinian Authority. Hamas took over—

Senator KENNEDY. I do not want to—

Mr. LEVITT. —with force of arms.

Senator KENNEDY. I do not want to debate that.

Mr. LEVITT. There is not much to debate.

Senator KENNEDY. Yes—

Mr. LEVITT. The Palestinian Authority does provide salaries to its people in Gaza.

Senator KENNEDY. Does the Palestinian Authority pay for keeping the lights on in Gaza?

Mr. LEVITT. They pay for some of it, yes.

Senator KENNEDY. The U.N. sends Hamas money to educate the children, does it not?

Mr. LEVITT. The U.N. pays for some education in Gaza. They do that—

Senator KENNEDY. Is that a yes?

Mr. LEVITT. —through their own agencies.

Senator KENNEDY. Is that a yes?

Mr. LEVITT. They provide the money into Gaza, yes.

Senator KENNEDY. I will take that as a yes. The U.N. gives Hamas money to run hospitals, does it not?

Mr. LEVITT. The U.N. runs hospitals in Gaza, too, yes.

Senator KENNEDY. And, in fact, does Hamas not tax, at the rate of 16½ percent, every bit of food and aid that comes into Gaza?

Mr. LEVITT. They do tax everything. I do not know the exact percentage.

Senator KENNEDY. And Hamas levies a tax on even fish caught, does it not?

Mr. LEVITT. They tax everything.

Senator KENNEDY. And Hamas also levels an income tax, does it not?

Mr. LEVITT. That, too.

Senator KENNEDY. OK. President Biden's administration has not enforced the sanctions on Iranian oil, has it?

Mr. LEVITT. No.

Senator KENNEDY. OK. So you agree with Ms.—I am sorry, I cannot see your—

Ms. PLETKA. Pletka.

Senator KENNEDY. Pletka. So you agree?

Mr. LEVITT. I tend to make it a policy to try to agree with Ms. Pletka whenever possible.

Senator KENNEDY. Yeah. Well, you are smart. You told us you were smart. President Biden has not chosen to impose the snap-back sanctions under the JCPOA, has he?

Mr. LEVITT. Correct.

Senator KENNEDY. OK. Ms. Pletka, who has the \$6 billion?

Ms. PLETKA. It is in a bank in Qatar.

Senator KENNEDY. OK. So Qatar has control of it.

Ms. PLETKA. In essence, that is correct, although—

Senator KENNEDY. Well, let me put it this way. There is a Qatar bank. If Qatar tells them to do something, the United States tells them not to do something, who is the bank going to listen to?

Ms. PLETKA. Well, that is the question before us right now—

Senator KENNEDY. Who is the bank going to listen to?

Ms. PLETKA. Qatar.

Senator KENNEDY. Of course.

Ms. PLETKA. Their Government.

Senator KENNEDY. OK. And is it not a fact that back in 2021, Treasurer Yellen, through special drawing rights at the International Monetary Fund, gave Iran \$4½ billion?

Ms. PLETKA. That is what I understand, yes.

Senator KENNEDY. And she would like to give them more.

Ms. PLETKA. That is what I understand, yes.

Senator KENNEDY. That is like cash money. It is really a dividend you can cash in for U.S. dollars. Is that right?

Ms. PLETKA. That is what I understand.

Senator KENNEDY. Wow. It seems to me that we could cutoff Hamas, or at least go a long way toward doing that, by actually just enforcing the things that we already say we are enforcing.

Ms. PLETKA. Every authority that is necessary to cutoff Iran, Hamas, and every other terrorist group is already in the President's hands. The question is never whether the President can. It is whether the President will.

Senator KENNEDY. Well, why has the Biden administration been so soft on Iran? If we know Iran is funding Hezbollah, Hamas, the Houthis, their surrogates in Syria, their surrogates in Iraq, why has President Biden's administration been so soft on them?

Ms. PLETKA. Well, I am not—

Senator KENNEDY. Do they just think love is the answer and that this is not a bar fight? I mean, it just looks to me like this Administration is quoting Socrates in the middle of a prison riot.

Ms. PLETKA. That is a very apt picture. I am not a spokesman for the Biden administration, so I can only give you my estimation. There has always been a problem in our compartmentalization in dealing with Iran. We have prioritized their nuclear weapons program, understandably, but we have not ignored but diminished the importance of their support for terrorism, their regional disruptions, and their human rights record. Those things need to change. We need to tighten the screws on Iran in every single aspect.

Senator KENNEDY. Peace through weakness never works, does it?

Ms. PLETKA. No.

Chair BROWN. Thank you, Senator Kennedy. Senator Cortez Masto from Nevada is recognized.

Senator CORTEZ MASTO. Thank you. Thank you, Mr. Chair and Ranking Member. Thank you for the panelists as well. This really requires us to work in a bipartisan way without “gotcha” moments. And I appreciate the discussion today, but I do think let's be candid and at the same time tell the facts. We are concerned about previous actions as they led to where we are today and then how we address moving forward, working together. If I recall, in 2018 it was the Trump administration that pulled us out of the JCPOA. It was the Trump administration who refused to impose sanctions under CAATSA. So there is enough blame to go around, but let's

focus on where we are today because I think this is where we should be and what we need to do.

Let me just start with the first question. I think what I have been hearing, and I have been listening this morning as well to the conversation from the panelists—and thank you, very esteemed panelists—we all agree that we need to make sure that Israel has the support it needs to defend against the threats posed by Hamas and other terrorist organizations. I am also concerned about the threat by Hezbollah that it continues to pose against Israel's security. We all know, and we are hearing from all of you, much of the support comes from Iran's State sponsorship of terrorism with Hezbollah, Hamas, and the like. I also recognize that Hezbollah and Hamas still receive funding from private donations and organized crime syndicates across the globe.

My question to all of you is, how can and is the Administration working with our European allies to really crack down on the illegal funding of terrorist organizations like Hamas, like Hezbollah, like we have been talking about? What is it that is happening with our European allies, and what more should we be doing? And maybe, Mr. Levitt, I will start with you.

Mr. LEVITT. Thank you so much. The Deputy Secretary of the Treasury is about to take off for Europe on this exact issue, and so you are seeing top-level engagement on this issue in general and specifically on the issue of Hamas, which traditionally has not gotten as much traction with our foreign partners, including the Europeans, who have seen Hamas as a lesser threat, not a threat to the international community, just to Israel.

The October 7th attack was one of the worst acts of international terrorism ever—number of countries that were affected, number of people killed, number of people wounded, number of people kidnapped—and so there is an opportunity now to see Hamas for what it is and to get better buy-in and activity. When the President of France goes to Israel and says the Counter ISIS Coalition should take on the job of countering Hamas, that is not likely to happen, but a coalition of its own to get together and do more, in particular on the financing, is a very smart idea. Whether it happens or not, when the President of France says this, not someone who has typically been so hard on Hamas, that is a big step forward.

Senator CORTEZ MASTO. Thank you. Anyone else?

Mr. WAGMAN. Yeah, I am happy to respond. I do think the Coalition Against Hamas is required, like was done with ISIS, and I think that there are many tools that have not been used so far. First, to have a global designation on Hamas as a terror organization as was done on ISIL, meaning that all countries will have to impose that in all currencies, not only in U.S. dollars or euro. In addition, we need to make sure that secondary sanctions are being imposed. For example, it is known intelligence that Turkish exchanges and banks are constantly working in order to support Hamas, and the world is just putting, you know, a blind eye on that.

Another thing is to make sure that we have enough transparency on the economies of the region. For example, Lebanon is hosting, or is having internally Hezbollah. We have not seen a report, for example, by FATF, that is actually doing the analysis of how to

treat the Lebanonian economy and what should be done in order to make sure that Hezbollah does not control it or use that in order to do those actions.

And last but not least, also the Palestinian Authorities have never been evaluated by FATF in order to check what is going on on the financial system of the Palestinian Authority, and this should be examined so we will better understand the relationship between the economies of Gaza and the rest of the Palestinian Authorities, and actually also answer previous questions about how do we know where the funds are going. If we do not know what happens in the Palestinian Authority economy in general, we will never know what actually is going in practice.

Senator CORTEZ MASTO. And I only have a few seconds left, but you touched on something that was the next question, was Turkey because we also know where Erdogan basically stated Hamas are not terrorists. So how do we address the concerns that you brought up, which was my question, is how do we address the terrorist financing that potentially may be going through that country?

Mr. WAGMAN. So I think that after the event of this month, no question mark should still be there. This is pure terrorism, and this is why we need, you know, the international pressure, if that was not clear until now.

Senator CORTEZ MASTO. Thank you. Thank you all. Appreciate it.

Chair BROWN. Thank you, Senator Cortez Masto. Senator Hagerty of Tennessee is recognized.

Senator HAGERTY. Thank you, Mr. Chairman. There has been a lot of discussion among Members of Congress about the role of cryptocurrencies in funding the recent attack on Israel that was carried out by Iran-backed Hamas. Policymakers that are hostile to cryptocurrency have even gone so far as to suggest that by eradicating the crypto industry, perhaps the attack would never have happened. I find that amazing to hear, but that is some of the claims. I would like to provide some context to these claims.

The *Wall Street Journal* recently reported that Hamas and Palestine Islamic Jihad, since 2021, have received roughly \$130 million in crypto financing via offshore exchanges and platforms like Binance. It is important to note that these figures are disputed and per independent analysis that was released just this week, could be overestimated by as much as 99 percent. The data analytics firm cited in this *Wall Street Journal* report has even disputed the estimates that were reported, stating that there is no evidence to suggest that Hamas fundraised anything close to this \$130 million reported.

Make no mistake. Any such funding is unconscionable and should be addressed in a thoughtful, targeted way in order to choke off these terrorists, but we should do this without pushing the crypto industry overseas. In this case, we need a scalpel, not a sledgehammer. What seems to be lost in the discussion is the billions of dollars—I am talking about billions with a “B”—that have been funneled to these very organizations we are concerned about their principle sponsor, Iran—with the blessing of the Biden administration.

Until recently, this appeasement policy was led by Special Envoy for Iran, Rob Malley. Rob Malley, who has had his classified secu-

rity clearances ripped away, who has been kicked out of the State Department, and whose team included at least one person who it has been reported is a member of the Iranian Experts Initiative, which is a foreign influence and collusion network that is run by the Iranian regime.

Biden's lax sanctions enforcement on Iranian crude sales have allowed the terrorist regime's oil revenues to surge from \$7.9 billion during the final year of the Trump Maximum Pressure Campaign—I might add that the secondary sanctions I was involved in imposing in that Administration worked—from \$7.9 billion in the final year of the Trump administration to more than \$42 billion in 2022. According to estimates, the Iranian regime has been able to amass up to \$91 billion in illicit oil revenue since the Biden administration came into office.

President Biden has also greenlighted a \$10 billion payment from Iraq to Iran for electricity. Further, President Biden has sent UNRWA over \$730 million. UNRWA nominally provides direct relief and works programs for Palestinian refugees in Gaza and the West Bank, but these funds are fungible. And UNRWA has an abhorrent track record of supporting anti-Semitic curricula that refer to Israel as the enemy and teach math—I am not making this up—they teach math by counting martyred terrorists. I have seen the materials. At the same time, Qatar has over the past decade provided more than \$2 billion in fungible economic and humanitarian aid.

So my first question is a simple one, Dr. Wagman. Is tens of billions of dollars in Iranian oil revenue and sanctions relief from this Administration, plus whatever direct monetary relief to Hamas-controlled Gaza that has flowed that way, is that in any way comparable to the \$130 million that allegedly has flowed through, which is probably overstated, from the crypto markets?

Mr. WAGMAN. Yeah. So as I mentioned, I mean, crypto right now is not the main source of funding for Hamas, but definitely the old traditional ways in which we see that State funding is the most dominant thing that is funneling into the Gaza Strip, from cash—

Senator HAGERTY. Let me follow up on that. Is it fair to say, then, that these oil revenues, the sanctions relief, and the direct monetary relief revenue streams have done far more than any crypto financing to either directly support these terror groups or to buildup the resources that they could then divert to other malign activities?

Mr. WAGMAN. Generally speaking, the funding of Hamas comes from State funding in many different channels. It goes through Turkey, to money exchanges, through trade-based terrorism financing, cash deliveries being sent, banking system, underground banking, many variety of ways.

Senator HAGERTY. Yeah.

Mr. WAGMAN. Crypto is only one of them, and right now it is a limited part.

Senator HAGERTY. The point being that we brought those revenues down dramatically through the Maximum Pressure Campaign. They have skyrocketed because of non-enforcement of sanctions. And what seems to be happening here is that we are trying



to divert attention from that fact, attacking an industry that we should be moving onshore. We want to actually have control and promote it and be able to deal with it. Instead pushing it offshore strikes me as a very bad idea.

Dr. Wagman, one last question. Do you agree that international entities are harder to work with to combat these illicit flows? Would providing clarity to the crypto industry and encouraging these companies to move to the United States and within our jurisdiction rather than forcing them offshore not be a more straightforward way to reduce these illicit flows?

Mr. WAGMAN. I think that having a global regime is extremely important in order to make sure that there are no weakest links because you could impose whatever you want internally, but then everything is being pushed away to other jurisdictions. So you have to have it both internally and internationally, and with that respect we do see that the weakest link is in other countries that do not enforce FATF regulations. And I do think that the U.S. can push very strongly the FATF in asking it to actually publish gray list of countries and jurisdictions that do not enforce the regulation and that do not impose the travel rule, and all the other regulations which can actually create a safer global environment.

In addition, the U.S. could also choose and go and sanction or designate particular exchange platforms that are being used, in fact, for terrorism and criminals as like mixers because they do not fully support or fully contact the way that this is required.

Senator HAGERTY. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Hagerty. Senator Warner of Virginia is recognized.

Senator WARNER. Thank you, Mr. Chairman. Thank you for holding this critical hearing. I have got to say to my friend, Senator Hagerty, and I know another advocate, Senator Lummis, around the areas of crypto, I believe strongly in the value of decentralized ledger. But I do think—and I see more of this, frankly, from a classified setting as Chairman of the Intelligence Committee—that, unfortunately, crypto is being used in a disproportionate way, I think particularly around rogue regimes like North Korea.

I think one of the things that really ought to be incumbent upon me and others on the intel side to get more of this information declassified so we can at least have more facts out there on this subject matter. There has been some documentation, I think there will be more coming out, about literally some the payments to Hamas being made through crypto. It is one of the reasons why a lot of us on the Committee, in a bipartisan way, worked for years literally on the Anti-Money Laundering Act. That was 3-plus years ago. Took a lot of time. Mike Crapo was very active, the Chair was very active, and the implementation of that bill is still being, unfortunately, too slow.

It is one of the reasons why, recently, I have been working with Senator Reed and Senator Rounds, Senator Romney on Senate Bill 2355, the CANSEE Act, which actually goes and tries to put a definitional approach and some responsibility around DeFi. Just as a commentary, I do not accept the premise that there is no father or mother of any DeFi system. Somebody is making money off of that, and we try to grapple on that. That is why more recently, we have

been taking some of the ideas around DeFi and also thinking about secondary sanctions, particularly when it comes to terrorist organizations. And what we have used as a template—and I am going to come to you, Mr. Levitt, in a moment—is we have actually passed a law in this area. Back in 2015, we passed a secondary sanctions law against Hezbollah using traditional areas around banking sanctions because in 2015, there was no part of the crypto industry.

I am still working with Senator Reed as well on a bill that would apply secondary sanctions, restrictions on transactions with foreign parties who facilitate transactions with terrorist organizations, and not just using traditional financial tools, banks, but also using crypto. This—

[Voice.] What the hell?

Senator WARNER. You will have a chance to rebut my question in a moment, whoever was making those comments.

Under our bill, using the Hezbollah bill as a baseline, using our definition of DeFi, and under this bill, Treasury must identify any foreign bank or foreign cryptocurrency entity, which we have called a digital asset transaction facilitator, known as an FTO, so that there would be then secondary sanctions placed on these entities, whether it be traditional banks or these FTOs. Again, as I said, we would include using the definitions we had on DeFi from CANSEE.

So let me actually get to the question in my last minute, Dr. Levitt. In your testimony, you cite the Hezbollah International Financing Prevention Act, and said it is long time past that we go beyond Hezbollah to cover these other foreign terrorist organizations. This approach that would both build on the Hezbollah Act, take on foreign terrorist organizations, include their usage not only of traditional financial tools but of crypto with a DeFi definition included, would this make some sense, or not?

Mr. LEVITT. Tremendous sense and long overdue. Terrorists are still using banks, but they are using other methods, too. And while I think that the *Wall Street Journal* figure is probably exaggerated, there is no question we have seen DOJ action targeting Hamas crypto and other actions. The Israelis took an action just the other day. This is a growth area, and so we need to try and get, I do not know if it is still safe to say ahead or maybe catch up, on crypto and DeFi and recognize that this is a space where legitimate transactions can happen and illegitimate transactions can happen. And what you are proposing, to me, makes tremendous sense.

Senator WARNER. And I appreciate, Mr. Chairman, that I know you and your staff are working on this as well. Hopefully, we can combine efforts. And frankly, to my colleagues who have been strong advocates of crypto, I think if we can decrease the illicit use, particularly terrorist organizations like Hamas, and add that secondary sanction in, it might bring actually more legitimacy to this form of transaction, wherever they are located in the world. Thank you, Mr. Chairman.

Chair BROWN. And thank you, Senator Warner, and the uses of crypto on child trafficking and drug running and all of that and understanding it better, thank you. Senator Lummis of Wyoming is recognized.

Senator LUMMIS. Well, thank you, Mr. Chairman. I am so glad we are having this discussion, and I agree with Senator Warner.

This is an area where crypto is being used to finance terrorism, and we have to provide the tools necessary to stop that. In fact, earlier this year, I worked with my colleagues on both sides of the aisle to add an amendment to the NDAA that would require examination standards for crypto asset intermediaries and request a report from FinCEN on mixers and tumblers, the way that information is scrambled to prevent detection.

Furthermore, let's get after Binance and Tether. These are off-shore companies that are financing illicit activities and terrorism. We have got to prevent Hamas, Hezbollah, and other terrorist organizations from using digital assets, using cryptocurrency as a means to finance their activities. So mixed in with the talk of stronger sanctions on Iran and other avenues to prevent the flow of illicit finance, we have heard a lot about crypto assets today. We should be hearing a lot about crypto assets today. I think it is because our panel is, in part, missing the perspective of FinCEN and the law enforcement agencies that are actively fighting the finance of terrorism.

When we ask FinCEN and others what authorities they need to combat illicit finance in crypto assets, they say they do not need more laws. They need more resources. I have heard from law enforcement that in many ways, crypto assets are more traceable than cash. In fact, we have had people testify under oath in this Committee that crypto assets are easier to trace than cash because the data is permanently available for everyone to see on a distributed ledger. If you want to download on a computer the entire distributed ledger of Bitcoin, you can do it in your office. It will take you—plug in a computer, sign on—take you about 100 hours. You can download the entire distributed ledger of Bitcoin from day one in 2009, currently, and it will update every 10 minutes. It is remarkable the information that is available there. So what we need to do is give FinCEN and our regulators the resources to carry out the mission.

Now, we address this in the Responsible Financial Innovation Act that Senator Kirsten Gillibrand of New York and I have sponsored. It is a comprehensive framework for digital asset regulation. It provides these resources. As a starting point, it gives FinCEN \$150 million to carry out its mission in regard to crypto assets and provides the flexibility to hire and retain highly qualified individuals.

Now, let's turn for a minute to intermediaries like Binance and Tether. We know that Hamas and other terrorist groups have on literally hundreds of occasions been able to open accounts with Binance, even after public reporting about the issue. Binance is knowingly facilitating violations of sanction laws and the Bank Secrecy Act by failing to carry out adequate customer screening when it is aware the exchange is being used to finance terrorism.

It is also well known that Tether is a favored on and off ramp for illicit activities to interact with crypto asset markets and is knowingly facilitating violations of the law. It was recently reported that Israeli law enforcement directed Tether to freeze 32 addresses controlled by Hamas- and Russian-linked entities in Israel and Ukraine. Tether is failing to conduct adequate consumer and

customer due diligence and screening, despite being aware that its product is used to facilitate terrorism and other illicit activities.

That is why today, I sent a letter with Representative French Hill, who is the Chairman of the House Digital Assets Subcommittee, to Attorney General Merrick Garland, asking the Department of Justice to wrap up its investigation and consider criminal charges against Binance and Tether for their involvement in illicit finance. And we now know, as Senator Hagerty noted, that the role of crypto assets in funding Hamas has been overstated, but even \$1 going to support the recent heinous attacks is too much. Binance and Tether have knowingly been allowing terrorists to move funds using their unregulated exchanges. They are based in the Seychelles, in the Caymans, in the British Virgin Islands. It is time they are brought to justice.

Mr. Chairman, I ask unanimous consent that my letter to Attorney General Garland be entered into the record.

Chair BROWN. Without objection, so ordered.

Senator LUMMIS. We have tried the status quo where crypto asset intermediaries operate in an environment without clear paths to registration. As policymakers, we need to be making it more difficult to operate a crypto asset intermediary in the shadows offshore. But we also need to make it possible to operate a compliant exchange in the United States. By providing robust regulation, the United States can force bad actors out of the crypto asset space and ensure financial innovation can continue in our Nation in a manner that does not allow illicit finance to occur.

I have used up my time and more, so I do not have any questions for you, but Mr. Chairman, thank you kindly for holding this hearing. I yield back.

Chair BROWN. Thank you, Senator Lummis, for your comments. Senator Smith of Minnesota is recognized from her office.

Senator SMITH. Thank you very much, Chair Brown, and thanks to our panelists for being with us today.

So just over 2 weeks ago, this brutal terrorist organization, Hamas, perpetrated a vicious attack on Israel, murdering 1,400 civilians and taking over 200 hostages, most of whom are still being held in unknown conditions. And I know that everybody on this Committee and in our country has been horrified and heartbroken at the devastation and terror and violence that unfolded on that day and that has since unfolded. I agree with the Biden administration that the United States must stand with Israel as it defends itself against this existential threat posed by Hamas, and we also need to work with Israel and all of our regional partners to address the humanitarian crisis in Gaza and minimize further harm to innocent civilians.

So I want to ask a question to you, Mr. Levitt. The mission to stop Hamas must include cutting off their access to financial resources, and it seems to me that we need to focus not just on what they have done in the past to raise money, but what they will do next, that we need to look forward and be proactive. For example, this past April, Hamas stopped soliciting donations in Bitcoin because of enforcement actions taken against their donors and, instead, are now leveraging other digital assets and technology. And to be clear, I heard the important testimony earlier that what goes

on in crypto is a small portion of what it is that we need to do to stop the flow of money to this terrorist organization.

But, Mr. Levitt, could you talk about how, as we work with our international partners to cutoff Hamas access to financing through crypto and other means, how can we be more forward looking? How can we anticipate what their next strategies are going to be as we go forward?

Mr. LEVITT. Thank you so much for the question. When I was in Government, we used to do this all the time, look at what we did now and try and anticipate how our adversaries would react because they are not just going to stop. As Hamas is defeated in the Gaza Strip and it cannot raise money through governance, it is going to rely more on Iran. It is likely going to try and move more toward crypto, though probably not in big numbers. It is definitely going to try and rely more on abuse of charity.

In the wake of this war that Hamas brought on, starting with their slaughter on August 7th, there is lots of suffering. And you will have good people raising money to help innocents, and you will have bad people who are using this as a pretext, saying they are raising money for innocents when they are really raising money for Hamas. As I have written in my testimony, we have already seen just in the past few weeks since the attack, in some cases, previously designated entities ratcheting up their fundraising, crowdsourcing, and "charitable campaigns."

I also applaud the Treasury Department's focus, now a third tranche just this week, on Hamas' finance and investment committees, which have successfully raised hundreds of millions of dollars for Hamas. So it is important to note that is not liquid cash. It is held up in investments.

Senator SMITH. Mm-hmm. So following up on that, we know that terrorist organizations exploit charity and the suffering of innocent people for their own evil purposes. Are there best practices or things that Americans should know if they are seeking to participate in the humanitarian needs that are unfolding for these innocent civilians in Gaza who are not Hamas and are not supporting Hamas? Is there anything that, you know, Americans out there should be thinking about as they are wondering what they can do to help?

Mr. LEVITT. Absolutely, and here again I applaud Treasury's FinCEN just the other day issuing an alert to financial institutions to counter Hamas financing. Among the several red flags they highlighted were indicators focused on charitable giving to help detect, prevent, and report suspicious activities related to abuse of charity. So we need to communicate to the public the type of things to look for, and Treasury just did that the other day.

Senator SMITH. Thank you. And I just have a couple of minutes left, but, you know, we know that Hamas has solicited donations through various social media platforms, posting addresses and so forth. And while many platforms have banned Hamas, accounts aligned with Hamas continue to emerge. And so I am wondering, what responsibilities do we think that these platforms bear for facilitating such payments? You know, for example, Mr. Levitt, X has recently started boosting content from paid verified users and has

adopted this arrangement to share revenues. How concerned should we be with this kind of activity?

Mr. LEVITT. I am very concerned by it. I am very concerned that we do not hold platforms sufficiently responsible for the real-life consequences of what they allow on their platforms, whether or not they then monetize that on top of it.

Senator SMITH. Right.

Mr. LEVITT. And if you look at what the platforms have been doing the past few weeks, it is just disgusting.

Senator SMITH. If you want to change the outcomes, you have to change the incentives, and I think the incentives are all wrong there. Thank you.

Chair BROWN. Thank you, Senator Smith. Senator Daines of Montana is recognized.

Senator DAINES. Chairman Brown, thank you. Five weeks before the October 7th terror attack in Israel, I was in the Hezbollah terror tunnels on the border of Lebanon seeing it firsthand, descending 80 feet down with IDF soldiers, and the next day, I met with Prime Minister Netanyahu in Jerusalem. I was the last U.S. Senator, I believe, to meet with Bibi prior to the attack, and we talked about three things: Iran, Hamas, and Hezbollah.

It has been very clear to many of us, including clear to many leaders in Israel, that the appeasement strategy of the Biden administration is a failed policy. It has not only failed. It is also dangerous. The Maximum Pressure Campaign against the Iranians is the right policy position to take. And I will just tell you, I speak for many who have been very disappointed with this Administration's kind of standing back on the linkages between Iran, Hezbollah, Hamas, as well as the Houthis in Yemen. I mean, good grief, they have got the USS Crane in the Red Sea shooting down cruise missiles and drones. This is a shooting war, and the U.S. is involved in this at this moment.

And all three of these groups, I mean, two being Shiites with the Houthis and Hezbollah, Sunnis with Hamas, I hope this Administration will develop moral clarity at this moment in history. It is a dangerous moment. It is a dangerous moment that we hope and pray does not escalate. But this appeasement strategy, starting with JCPOA with the Iranians leading to unleashing billions of dollars to Iran, has absolutely failed, and not only has it failed, it is a threat to the stability of the entire world. We all know that Iranian funds flow into illicit finance networks that directly support Hezbollah, Hamas, the Palestinian Islamic Jihad, and other terror networks across the world. And much of this support, Iran's support, is derived from oil exports.

The Biden administration has irresponsibly relaxed the sanctions and the enforcement on these Iranian oil exports, resulting in a massive windfall for the regime in Tehran. The regime in Tehran calls out death to America. They call us the Big Satan and Israel the Little Satan. And yet this Administration is rewarding that with billions of dollars through relaxed sanctions relating to oil exports. Estimates place the revenue of Iranian oil exports under the Biden administration between \$80 and \$90 billion. These rockets, these missiles, the other arms these terrorists have have to be funded somewhere, and they are coming from Iran. And why can

the Administration not be clear on that and move away from trying to bring Iran to the table and instead bring Iran to its knees through Maximum Pressure Campaign?

To make matters worse, the Biden administration was committed to providing Iran yet another \$6 billion. At a time when the State of Israel is under attack by Iranian-backed proxies, it is unthinkable—unthinkable—that an American President would even consider the idea of letting billions of dollars find their way into the hands of terrorists. While those funds have now reluctantly been refrozen, there is currently nothing stopping the Administration from seeking to reinstate this unconscionable policy. And that is why I have introduced legislation that would repurpose that \$6 billion, and instead of giving it to Iran, why do we not repurpose it and give that \$6 billion for the defense of Israel?

Ms. Pletka, it seems the biggest opportunity to impact Iran's financing of Hamas and Hezbollah is directly linked to the enforcement of Iranian oil sanctions. OFAC maintains a sanctions evaders list. This list only has one entity on it. Do you believe that this list is being used to its full potential, and how can we better use it to disrupt Iran's oil exports?

Ms. PLETKA. No, I do not believe the list is being used to its full potential. There is no question that the Administration needs to both widen its aperture on who to sanction but also to step up its enforcement. And when I say "step up," I really mean transform their attitude toward enforcement so that Iran is not able to earn the revenues that it has been earning, so that it does not have the windfall that it has had over the last 2½ years because that and only that is going to be a message to them that we are more serious about their financing of terror.

Senator DAINES. You used the words "change your attitude." I just call it a 180-degree change in their foreign policy related to Iran in terms of moving away from an appeasement strategy, which is very, very dangerous and gets increasingly more dangerous every day that goes by as we watch what is happening right before our very eyes in the Middle East. Dr. Levitt, you host a podcast titled "Breaking Hezbollah's Golden Rule".

Chair BROWN. Please ask your last question quickly, and if you will answer.

Senator DAINES. OK.

Chair BROWN. We have been called to a vote 15 minutes ago, so thank you, Senator Daines.

Senator DAINES. Thank you, Chairman. I will cut right to this. Their golden rule is the less you know, the better, from Hezbollah. In your opinion, what does the U.S. need to do to better attack illicit financial flows from bad actors like Muhammed, Qusayr, Illumix, or other fronts owned by Hezbollah family members? And we will need a quick answer, and it is my fault, not yours.

Mr. LEVITT. There is a lot more that has to be done, but I do think, per the title of the podcast, a lot of it is exposing it and making it public, in part so that the financial system, the financial community knows how to follow up. But there is a lot more to do, and I will pause because of the time.

Senator DAINES. Yes, that is my fault, not yours. Thank you.

Chair BROWN. Thank you, Senator Daines. Senator Van Hollen of Maryland is recognized.

Senator VAN HOLLEN. Thank you. Thank you, Mr. Chairman. Thank all of you for your testimony today. Dr. Levitt, in your opening remarks, you made the important distinction between the sources of Hamas funding and the transfer of those funds and wanted to spend more time on the transfer issue. I know it has been covered a little bit, but can you talk about that network and what more we can do to confront it?

Mr. LEVITT. Thank you so much for the question, and not only because I am your constituent. It is very important to stop as much funds as possible. We will never drain the swamp, and so we need to also look at how they are moving the money. If some bad guy has money in Point A but cannot get it to Point B, I will take that as a win. We have not been doing enough there. It also applies not only to money but to other resources. All the weapons that we saw in the Gaza Strip just now, that came from someplace. There is a lot more that can be done on trade-based money laundering. There is a lot more that can be done on cash couriers.

We know, FinCEN just informed this week, that Hamas has been transferring money through Hezbollah-affiliated banks. This is low-hanging fruit, and we have opportunities now. And by "we," I do not only mean the United States. Sanctions diplomacy by the United States can get buy-in from our allies in Europe and elsewhere. Now is the time. If the heinous attack of October the 7th does not push people to act, I do not know what will.

Senator VAN HOLLEN. Right. So and the major tool that you are suggesting in that regard are the secondary sanctions on Hamas. Is that correct?

Mr. LEVITT. Correct.

Senator VAN HOLLEN. And then it comes to FinCEN, we, the United States, has been asking them to do a lot more in a short period of time. I chair the Appropriations subcommittee that oversees the Treasury and funding for that. I hope actually as part of one of the supplementals we deal with, emergency supplemental, we increase funds for FinCEN, and I think all the issues that you are talking about here are part of that.

Dr. Wagman, you have had experience, you know, through the Israeli efforts to crack down on these money launderings. What lessons have you learned that could be helpful to us in terms of the transfer?

Mr. WAGMAN. Thanks for the question. Actually, there are many things that could still be done. First of all, international collaboration and cooperation, there is not enough of it. Like the ransomware mechanism that was established, 24/7 response, I think that it is very important to disrupt terrorism. Second, to make sure that sanctions are being enforced, sanctions and secondary sanctions. We still see, as was mentioned here before, low-hanging fruits, Turkey still being a major channel to accept those funds. We see that, you know, Hezbollah and Hamas and the trade-based, there are still many areas that we could do much more.

In addition, to make sure that law enforcement have the right capabilities and resources, as you rightfully mention. And we would



just like for FinCEN perhaps to add to their authorities also the suspension, the temporary freezing, something that is common and exists in Europe that is, in particular, relevant to disturb terrorism financing. So this is some of the sources, and also I think that the U.S. could actually, through the international organizations, such as FATF, could actually promote international response to those actions.

Senator VAN HOLLEN. No, I appreciate those lessons learned, and the putting the fund on pause, this is an authority that FinCEN does not currently have. OK. We look forward to pursuing that. Just in closing, Dr. Levitt, and I only raise this question because Senator Kennedy made some remarks about, for example, transfers from the Qataris, the transfer from the P.A. I think you are well aware of the fact those transfers took place with the concurrence of the Israeli Government and Prime Minister Netanyahu earlier on. Is that not right?

Mr. LEVITT. It is right. The Israelis wanted stability and quiet, thinking that would buy deterrence and calm. Unfortunately, that has been proven wrong, but it was the policy. It was the U.S. policy as well.

Senator VAN HOLLEN. Right. And so I just think it is important because we have heard that a couple of times today. We want to get after all the illicit financing, but just to be clear, those transfers were done with the concurrence of both the United States and Israel, right?

Mr. LEVITT. Yes, sir.

Senator VAN HOLLEN. OK. And in fact, there has been much written about how part of Prime Minister Netanyahu's motivations at the time actually were to prevent the Palestinian Authority from gaining in greater legitimacy. I am sure you are aware of different things that have been written. What is your sense of what the motivation for this was?

Mr. LEVITT. I will leave Israeli domestic politics aside. I think across Israeli administrations, it was a clear policy to try and keep the calm, and the way to keep the calm was to make sure that there was at least enough economic activity in Gaza. The week before this attack, the Netanyahu Government, that Government increased the number of Gazans who were going to be allowed into Israel to work. So this was the policy to buy calm at the time, and everyone was caught off guard and everyone was found wrong on all sides of the partisan divide.

Senator VAN HOLLEN. Yeah. Thank you. Thank you all. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Van Hollen. Senator Warren of Massachusetts is recognized.

Senator WARREN. Thank you, Mr. Chairman. On October 7th, Hamas militants killed 1,400 people and took more than 200 hostages. So where did they get the money to outfit their fighters with guns and rockets and radios? I mean, after all, Hamas is already one of the world's most heavily sanctioned organizations. That means that the traditional channels for the global movement of money are largely closed off to them. Any money laundering rules that banks, gold traders, stockbrokers all follow make it hard to fi-

nance terrorism, but terrorists have found ways around those rules. One big one? Crypto.

Dr. Levitt, as a Treasury official, you saw firsthand how terrorists structure their transactions to evade detection. Recent reporting has suggested that Hamas and Islamic Jihad-linked crypto wallets, identified in seizure orders by the Israeli Government, received an estimated \$134 million in the 2½ years leading up to the attacks. So here is my question. Do you think that Government authorities know the full extent of all the crypto funds that Hamas and Islamic Jihad received over that time period?

Mr. LEVITT. By definition, they cannot know the extent of it, but I do think that number is very likely exaggerated. It is happening. They are getting money through crypto, there is no question, but the experts who follow this closely think that number is inflated.

Senator WARREN. So you think that they do not know all of the transactions that are occurring, so there are more transactions that are just out there in the dark and, I take it, no real way to estimate how big or how small they are?

Mr. LEVITT. You know, it is not anonymous, but you have to be able to put a long set of numbers to a person's name, and because of that, it can be complicated. Most of this is not ending up in an account of Hamas, Incorporated, or Islamic Jihad, Incorporated. By definition, because this is still an emerging technology and we are all catching up with it—we are behind—I cannot imagine anybody sitting in front of you and saying, yeah, we know the full scope of this.

Senator WARREN. OK. Fair enough. So the reason that conclusion is so important is because crypto industry players acknowledge that Hamas was financing itself through crypto, but they claim that the terrorist organization—and I am going to quote them—“stopped soliciting crypto donations because they were traceable.” Now obviously, the industry's claim is false. In fact, just last week, the head of Cyber Defense Division of Israel's National Cyber Defense Directorate said, “In this period of war, cryptocurrency is a major issue for financing terror because there are no other options,” and that the amount of crypto flowing to terrorist groups has, “super-increased since the attack began.”

Now, Senator Marshall and I, along with 14 of our Senate colleagues, including Senator Cortez Masto, Senator Smith, and Senator Fetterman right here on the Banking Committee, believe that Congress has talked about the threat of illicit crypto finance for long enough, and now it is time for Congress to act. We have a bill called the Digital Asset Anti-Money Laundering Act, which closes loopholes in our anti-money laundering and anti-terrorism financing, or AML/CFT rules, and cuts off terrorists and other criminals from using crypto to fund their illegal activities.

Dr. Wagman, you were the Director General of the Israel Money Laundering and Terrorism Financing Prohibition Authority. Last year, you wrote that, “In their attempt to avoid being traced, illegal actors have adopted ever-more sophisticated cryptocurrency technologies, such as noncustodial wallets.” You wrote that Hamas uses noncustodial wallets to evade detection. Do those wallets pose a particularly high risk of attracting terrorists and other very dangerous people?

Mr. WAGMAN. Thank you for the question. It is important, perhaps if I may, just to refer to your earlier comments about the funding of Hamas. The major funding of Hamas, unfortunately, the current sanction regime is far from being sufficient, and most of its budget and funds are still going through the traditional channels. And I want to put it clear because crypto is a problem, but this is not the major problem, and we have to look, you know, in other traditional channels, like banking and exchanges, money exchanges and cash and so forth. So let's not forget that.

Having said that, crypto, it is a technology like any other technology that could be used for legitimate and illegitimate purposes. We do see trends on both sides. As long as we are able to create a framework of compliance into those systems, we are able to create environments in which we could trust some of the transactions that are going there, even most of them, when the platform is compliant. Therefore, I think that it is really important to make sure going forward that we are creating those environments that we could actually inspect and put forward the relevant technologies to ensure compliance.

Senator WARREN. OK, so I appreciate that——

Chair BROWN. There is a vote call——

Senator WARREN. OK. I will be really quick. I just want to point out, you wrote that decentralized finance and peer-to-peer transactions between unhosted wallets are “higher-risk structures.” Two days ago, the Treasury Department wrote to lawmakers here, “There are steps that Congress could take that would bolster Treasury’s resources and authorities to combat both terrorist financing and mitigate illicit finance risks posed by virtual assets.” Hamas is using crypto to help finance terrorism. Our current laws are inadequate. We have the power to choke off that lifeline, and I think that is what we should do. Thank you, Mr. Chairman.

Chair BROWN. Thank you, Senator Warren. Senator Warnock of Georgia is recognized.

Senator WARNOCK. Thank you very much, Chair Brown. The heinous acts of terrorism committed by Hamas were horrific and are rightly condemned by all who believe in human dignity and seek a lasting peace. What these events make clear is that there are those who are afraid of peace, and they seek to sabotage it at any cost. We must not let them win, and we must recommit ourselves to the hard work of a lasting peace, grounded in justice and in human dignity for all of God’s children, both our Israeli and Palestinian brothers and sisters.

Shortly after the terrorist attack in Israel, I joined Senators Warren, Marshall, and many on this Committee in urging Treasury to immediately investigate and halt the illicit usage of cryptocurrency by Hamas, by Hezbollah and other terrorist groups for money laundering and financing of their terrorist operations. I am glad that Treasury has made some moves here to clamp down on some of the crypto technologies being utilized by Hamas, but the threat does persist. There is debate and conversation here that is very helpful here about the extent of the threat, but I think there is agreement that the threat persists.

Dr. Wagman, why are cryptocurrencies apparently a method of choice for these terrorist groups to transfer funds, and are these factors intrinsic to crypto?

Mr. WAGMAN. So yeah, crypto does have advantages for illicit counterparts to work in because the [Speaking foreign language] or the compliant environment at least used to be lower than the other financial system, and this is why they were using that. I mean, the technology is there whether we like it or not, and it is really important to look forward and to continue our process, and make sure that we are creating environments that are secure enough.

And even when we are getting to DeFi and all other technologies, there is a way, there is a technology that could also inspect that. And because of everything is transparent on the blockchain, we should focus our efforts on how to make sure that we have the ability to designate bad actors, and we see many exchange platforms that are working under countries which do not enforce the AML/CFT regulation that was adopted by the international regulators, and there are countries that do impose that. And we see differentiation in the way that terrorists are using those platforms. In the supervised and compliant platforms, there is less use. So I would suggest to put our efforts on making sure that we are sanctioning and supervising the unlicensed or those that are not compliant in order to reduce the activity there and also to ensure that we have better monitoring tools to continue to supervise that.

Senator WARNOCK. We have seen the ways in which crypto has been proven to be widely used by criminals and terrorists the world over. Even executives at Binance, the largest crypto exchange in the world, are accused by the CFTC of being seemingly dismissive of the risk that Hamas is utilizing their platform to fund terrorism, and authorities have closed over 100 accounts linked just to Hamas on Binance since Hamas' attack on Israel. Dr. Levitt, what considerations do you make when examining the use of crypto in financing these terror groups?

Mr. LEVITT. Like Shlomit, I am concerned about the ability not only to raise funds but to move funds as a means of transfer because there are no borders. And so as we crack down on other means of Hamas financing, they are going to, you know, squeeze that balloon. It will expand elsewhere. And so while I do not think that Hamas has made tremendous amounts of money by crypto, I am concerned that it is a growing industry. It is a place where they will try to expand their opportunities, and so it is something we have an opportunity now, I do not know if we can say get ahead, but to hurry up and catch up and prevent it from becoming something big before it does.

Senator WARNOCK. Thank you so much. I look forward to working with my colleagues to find ways of clamping down on this issue and making sure that we are not making it easy for these groups, like Hamas, to finance their awful crimes against humanity. Thank you.

Chair BROWN. Thank you, Senator Warnock. Senator Fetterman of Pennsylvania is recognized.

Senator FETTERMAN. Thank you, Mr. Chairman. Thank you for all being here today, experts, and it is always a treat to be here when I am able to talk to people much smarter than I am. And this

last time I was in this very same chair, we were talking about crypto, and I asked the experts and I said a couple of questions, and they were kind of fundamentalist-like. And I just want to ask you as well, too, as experts, should crypto exist? In other words, you know, where should it exist? Like, you know, why should it endure, if anyone has any answers.

Mr. WAGMAN. Happy to assist. Actually, that is the exact question that I was asked by the Minister of Finance in Israel a couple of years ago, and he asked me, you know what, let's just outlaw, you know, this entire crypto. It is going to be used for bad purposes. And I told him, Mr. Minister, unfortunately, the technology is out there, so it is not a question whether you like it or not. You need to manage the risk and find the ways to actually supervise that and make sure that it will be compliant.

So there are good uses of crypto, financial inclusion and many others. At the same time, we have to be very strict to make sure that the legislative framework is addressing the concerns that we have. We have to make sure that all platforms are compliant, that we have very clear rules, that all countries are enforcing them in a similar manner, and that we are not letting other countries to get off the hook and actually encourage environment in which bad actors can work. We could create, together with the FATF, a gray list of those countries and make sure that they are publicly announced, and, you know in addition to other tools, we will have a better way to monitor what is going on there rather than just, you know, assume that it is not happening.

Senator FETTERMAN. Yeah. And so where does the value assigned to crypto come from? Where does it come from because it is really just a mathematical idea. You know, kind of for me, it feels like it is a gimmick. But you know, where does the value of that come from other than there is not somebody kind of less informed, that I will pay more than what you just, you know, bought it for. So anyone have any thoughts on that?

Mr. WAGMAN. Well, I can answer again. I mean, there are some rationales, you know, having a more decentralized economy and theories behind that. But, I mean, at the end of the day, I think that this discussion, even if it was relevant a couple of years ago, it does not matter anymore because the technology is there, and it is not something that is possible now, you know, to decide. I mean enough people think that there is value, and they are spending the money on it, and, of course, illicit actors are using that as well, no doubt about it. So I think that the major challenge that we should focus our energy on is how to make sure that their options are being smaller and that we are closing the gaps as much as possible these days.

Senator FETTERMAN. So let me ask you, why did Hamas not use its American Express card to finance that awful terrorism? Why? Why would they not use their AMEX or PayPal?

Mr. WAGMAN. So actually, they are using bank accounts and credit cards and payment cards. I know that firsthand because many Israelis are now monitoring all, you know, campaigns, and they see that.

Senator FETTERMAN. Oh, so it is traceable then, right?

Mr. WAGMAN. Yes. No, no, no. What I just want to say is that, you know, I do not want us to fall into the, you know, the assumption that crypto will solve everything. Other traditional channels are also being used. This is all just I want to say.

Senator FETTERMAN. Yeah. Well, I was just trying to drill down. It is, like, of course, you know, it seems that they used crypto because it is really difficult or impossible to trace, so, you know, the bug is the feature, it seems, you know, to me. And if you are able to remove that ability to be anonymous, would crypto even endure because to me, it seems like whether you are financing terrorism or purchasing illicit drugs, you know, on the dark web, or other kinds of illegal things, no one is doing that using, you know, Apple Pay or whatever. They are using crypto. So really, is the one major reason why crypto exists is to finance things that are either illegal or they would not want to be attached to that kind of a thing? Is that a fair question?

Mr. WAGMAN. I mean, I do not want to step up like encouraging the industry, because that is not my purpose. But it is important also to mention that because everything here is digital, in many aspects, sometimes as law enforcement community, there are better monitoring tools to go on crypto and blockchains rather than cash, for example, because there are always alternative for that. So we should, I think, focus our efforts on how to improve the monitoring resources and tools that we have, how to impose more compliance, and how to differentiate between those environment of legal and illegal activities. And there are ways to do that, and once you are putting them aside, you could have better things. By the way, there are some cryptocurrencies that you could actually confiscate from afar, from a distance, just by disabling them. So this is something, like one of the solutions that some actors from private sector came up with in order to minimize the options to misuse crypto.

Again, it is not that I am supporting the industry. I am just in a place in which it exists, and we have to find a way to deal with it because outlawing that altogether just will create a black market that we will not be able to supervise at all, and that actually I am more afraid of than, you know, having some monitoring tool and working on improving them and making sure that law enforcement authorities may have the option of doing that, and being realistic because money laundering and terrorism financing happen in many platforms.

Senator FETTERMAN. Mr. Chairman, may I indulge for 30 seconds?

Chair BROWN. Go ahead.

Senator FETTERMAN. Oh, thank you, sir. It is more of a statement where it is, like, to me, my question is, like, if you are able to effectively track it or document, you know, it, would anybody really use it anymore, you know? To me, that is what I am really trying to get to, and I am not saying there is an answer. That is why I am asking the experts. It is, like, if you are able to effectively track it, would it really be attractive for anyone to traffic in that, especially because how volatile it is. And I really hope Hamas and everyone took a bath in crypto, you know, with the rest of everyone else, too, so they got a lot less guns for what they used to have, maybe.

Mr. WAGMAN. So we are definitely hearing a lot of use cases in the market of people that are using that, you know, in order to make sure that they are not attached to a certain currency but have something that, you know, is linked to the dollar, that they want to put their funds in places or to transact with lower cost to have more financial inclusion options. So there are some legitimate use cases for that, and the blockchain technology, generally speaking, has its advantages in the way that it is easier to transact around the globe.

Chair BROWN. Thank you, Senator Fetterman. Thank you to the panel for being here. Thank you for providing testimony and your responses.

Senators who wish to submit questions for the record, those questions are due 1 week from today, November 2nd. For the witnesses, you have 45 days to respond to those questions.

Thank you again. The Committee is adjourned.

[Whereupon, at 12:12 p.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

**PREPARED STATEMENT OF CHAIR SHERROD BROWN**

This hearing will come to order.

Earlier this month, the world watched in horror as Hamas committed brutal acts of terrorism against the people of Israel.

Hamas murdered innocent women and men and children. They attacked teenagers at a music festival. They took hostages—families, kids.

We are horrified.

In the days and weeks that have followed, the United States has taken strong, swift actions to support Israel as they defend their country against terrorism, and to aid civilians in Gaza.

Now, it's vital to our national security that we provide critical assistance to Israel—including robust military, economic, and humanitarian aid that is desperately needed for those harmed by Hamas' terrorism.

We must stand with both Ukraine and Israel as they fight back against two of the biggest threats facing the world: Putin and Iranian-backed terrorists like Hamas.

This isn't a time to play politics—we must stand united with our allies and we must defend American interests.

We also need to confirm key national security nominees who play a critical role in working with their Israeli partners. We've had too many delays already.

Right now, politics is holding up several key positions—including the Ambassador to Israel and at least 12 key military personnel—preventing important work in the Middle East.

This is why people think Washington doesn't work. Political grandstanding is hurting America's ability to effectively protect our interests at home and abroad, and keeping talented ambassadors and career military personnel on the sidelines.

On this Committee, we have a long history of keeping the politics out, and working together to address threats from Russia, North Korea, China, and Iran.

In the aftermath of October 7th, we are again confronting a challenge to the civilized world, and our humanity compels us to combat terrorism and hold State sponsors of terrorism, like Iran, accountable.

We must be clear, and speak with one voice: There is no justification for terrorism. None.

On this Committee, we have a unique role to play, working to understand the financing behind Hamas' attacks, so we can work to cut off funding for terrorism at its source and work to prevent future attacks.

Iran has an alarming history of supporting terrorist proxies engaged in unspeakable atrocities.

It's clear they provide significant funding for the military wing of Hamas—they provide training, they provide capabilities.

We will assess what additional economic tools we need to stop State sponsors of terrorism, including Iran, from supporting Hamas, Hezbollah, Palestinian Islamic Jihad, and other terrorist proxies.

And we will examine multiple terrorist funding streams, including cryptocurrency, and consider additional measures to stop the flow of those funds.

In response to the brutal and horrific attacks, last week the Treasury Department's Office of Foreign Assets Control imposed additional sanctions on key Hamas terrorist group members, operatives, and financial facilitators located in Gaza and elsewhere, including Sudan, Turkey, Algeria, and Qatar.

This action specifically targeted those managing assets within a secret Hamas investment portfolio, a Qatar-based financial facilitator with close ties to the Iranian regime, a key Hamas commander, and a Gaza-based virtual currency exchange and its operator.

But that is not enough.

The Administration must take additional steps to impose sanctions and dedicate resources toward a multilateral effort to coordinate with allies to track, freeze, and seize any Hamas-related assets, and take steps necessary to deny Hamas terrorists the ability to raise funds.

We need to not only identify the bad actors, but also their money pipelines, so we can shut off their funding.

We must undertake a more robust approach to identifying and preventing transactions that take place not only through financial institutions, but also through trade-based money laundering, cryptocurrency transactions, and other channels designed to avoid detection.

On this Committee, we've raised the alarm about crypto and its role in illicit finance—including the use of crypto to both fund terrorists and enable the rogue Nations financing them.



Too often, crypto platforms don't use the same commonsense protections that help keep illicit money out of the traditional banking system—safeguards like knowing their customers, or suspicious transaction reporting. Some crypto services and tokens even help users keep their transactions anonymous.

And when law enforcement attempts to trace or block crypto funds, it becomes a game of whack-a-mole.

They stop one transaction and the criminals have moved on to another platform, with another alias.

Terrorists know they can use crypto in ways they could never use dollars.

That's why President Trump's Justice Department warned back in 2020 that terrorist groups—including ISIS, al Qaeda, and the military arm of Hamas—were "raising funds using cryptocurrency."

Not surprisingly, after the attack it was reported that Hamas has raised millions of dollars in crypto to fund their operations.

We need to crack down on the use of crypto to fund terrorism and evade sanctions.

Last week, Senator Warren and I, along with more than 100 of our colleagues of both parties, wrote to the Administration to voice our concerns about these issues.

And I'm glad that Members of this Committee, including Senator Warren, Senator Reed, and Senator Warner, have put forward bipartisan plans for closing gaps around digital assets in our illicit finance rules. These are important steps forward, and I welcome more ideas. We'll work together on this Committee, in a bipartisan way, to make sure terrorists and bad actors can't exploit crypto.

This Committee and the Senate have a bipartisan history of combating the ways in which Iran threatens the region—not just its nuclear weapons development, but also its support for terrorism.

There has been a steady drumbeat recognizing the need for the United States and our allies to maintain and ramp up sanctions on Iran's harmful and destabilizing activities in the region. The Senate voted overwhelmingly to support the Countering America's Adversaries Through Sanctions Act to impose sanctions on Iran, North Korea, and Russia.

We also passed the Hezbollah International Financing Prevention Amendments Act, which imposed sanctions on Russia, Iran, or any other foreign Government supporting Hezbollah.

And let's not forget that this Committee acted together to tighten the rules around anonymous shell companies—which too often operate here in the United States—and which fund criminal syndicates and terrorists alike.

We've strengthened our money laundering rules and our sanctions tools in a bipartisan way, and we can do it again.

We need a comprehensive approach to shutting off Iran's funding sources—not just the \$6 billion, but the many more billions of dollars Iran uses to continue its destabilizing activities in the middle east and around the world.

Now is the time, once again, to act. I look forward to working with my colleagues on this Committee to stem terrorist financing, address the problems posed by crypto, and further strengthen sanctions.

**PREPARED STATEMENT OF MATTHEW LEVITT**

DIRECTOR, REINHARD PROGRAM ON COUNTERTERRORISM AND INTELLIGENCE,  
FROMER-WEXLER SENIOR FELLOW, THE WASHINGTON INSTITUTE FOR NEAR EAST  
POLICY

OCTOBER 26, 2023

Chairman Brown, Ranking Member Scott, distinguished committee Members, thank you for this opportunity to appear before you today to discuss the financing of Hamas which, while also having its own independent revenue streams, has benefited from decades of Iranian state sponsorship.

Today's hearing is painfully timely, coming on the heels of the October 7 Hamas massacre. In the wake of this barbaric attack, and Hezbollah's increasing attacks along Israel's northern border, we all need to revisit the analytical paradigms we adhered to as recently as October 6. The Hamas attack, which undoubtedly benefited from at least strategic planning support from Iran and Hezbollah, shattered the assumption held by some that the group was co-opted by the daily chores of local governance and effectively deterred by Israel's military posture and political calculus that economic incentives—Gazan workers employed in Israel, Qatari funds to pay salaries, inflow of goods, water, electricity, etc.—would keep the calm. Instead, Hamas played a long game, always committed to its self-stated and fundamental goal: the destruction of Israel and the creation in its place of an Islamist state in all of what it considers historic Palestine.

It is important to put the Hamas massacre in context and acknowledge it as one of the worst acts of international terrorism ever on record, both overall and in terms of American casualties. Secretary of State Antony Blinken minced no words describing the massacre after viewing evidence of the brutality of Hamas attackers, saying the Hamas atrocity “brings to mind the worst of ISIS.” There really are no words for the level of barbarism the Secretary described: “Babies slaughtered. Bodies desecrated. Young people burned alive. Women raped. Parents executed in front of their children, children in front of their parents.”<sup>1</sup> The dead include citizens of at least 35 countries.<sup>2</sup> Hamas kidnapped over 222 people<sup>3</sup> from some 22 countries,<sup>4</sup> including civilians as young as 10 months old.<sup>5</sup> Regardless of how Hamas tries to frame its actions, there is no doubt that the October 7 attack ranks as one of history's most horrific acts of international terror. To put this in context, the October 7 Hamas attack killed a similar number of people as the crashing of United Airlines Flight 175 into the World Trade Center's South Tower by al Qaeda on September 11, 2001.<sup>6</sup> At least 3,400 people were injured in the attack.

<sup>1</sup> “Secretary Antony J. Blinken and Israeli Prime Minister Benjamin Netanyahu After Their Meeting,” U.S. Department of State, October 12, 2023, <https://www.state.gov/secretary-antony-j-blinken-and-israeli-prime-minister-benjamin-netanyahu-after-their-meeting-2/>.

<sup>2</sup> Annabelle Timsit, “People from 35 countries killed, missing in Israel-Gaza war: What to know,” The Washington Post, October 11, 2023, <https://www.washingtonpost.com/world/2023/10/11/israel-hamas-war-foreign-nationals/>.

<sup>3</sup> “IDF says families of 222 hostages notified that loved ones are being held in Gaza,” Times of Israel, October 23, 2023, [https://www.timesofisrael.com/liveblog\\_entry/idf-says-families-of-222-hostages-notified-that-loved-ones-are-being-held-in-gaza/](https://www.timesofisrael.com/liveblog_entry/idf-says-families-of-222-hostages-notified-that-loved-ones-are-being-held-in-gaza/).

<sup>4</sup> Annabelle Timsit, “People from 35 countries killed, missing in Israel-Gaza war: What to know,” The Washington Post, October 11, 2023, <https://www.washingtonpost.com/world/2023/10/11/israel-hamas-war-foreign-nationals/>.

<sup>5</sup> Holly Williams and Erin Lyall, “Israeli family from Hamas-raided kibbutz tries ‘not to think’ the worst as 3 still held, including baby boy,” CBS, October 20, 2023, <https://www.cbsnews.com/news/israel-hamas-war-kibbutz-nir-oz-family-3-hostages-including-baby-boy/>.

<sup>6</sup> See the Global Terrorism Database for UA Flight 175 casualty numbers: <https://www.start.umd.edu/gtd/search/IncidentSummary.aspx?atdid=200109110005>.

For the United States, the Hamas attack was particularly devastating given the number of American victims. At least 32 Americans were killed in the Hamas attack<sup>7</sup>, and at least 10 Americans remain missing<sup>8</sup> even after Hamas released four American hostages.<sup>9</sup> Not since the 1979 Iranian hostage crisis, when 66 Americans were taken hostage, have so many Americans been taken hostage in a single incident.<sup>10</sup> And not since the 1996 Saudi Hezbollah Khobar Towers bombing, which killed 19 and wounded 372, have so many Americans been killed in a single attack on foreign soil.<sup>11</sup>

Following the May 2021 rocket war between Hamas and Israel, the editor of a Lebanese newspaper affiliated with Hezbollah reported that Hamas, Hezbollah, and Iran coordinated the fighting from a “joint war room” in Beirut.<sup>12</sup> Not only did the Hamas attack come straight out of the Hezbollah playbook, but Iran has funded, trained, and armed both Hamas and Hezbollah for decades, investing billions of dollars over time in these groups in support of their terrorist activities. Ultimately, Iran is fundamentally complicit in Hamas and Hezbollah’s terrorist acts.

Given the gravity of the October 7 Hamas massacre, allow me to focus here on the financing of Hamas. I am happy to discuss Hezbollah financing and Iranian schemes to finance and resource both Hamas and Hezbollah in response to the Committee’s questions.

### Hamas Financing

Hamas relies on several fundraising and financial transfer mechanisms to finance itself. Some of these have been constant, like funding from Iran, while others developed over time. Prior to taking over the Gaza Strip, Hamas relied primarily on funding from Iran, other state sponsors like Iraq, Syria and Sudan, and abuse of charities which typically funded Hamas through its network of charities and social service organizations, like Zakat Committees, in the West Bank and Gaza Strip. Once it controlled the Gaza Strip, Hamas income from taxation and extortion quickly exceeded its funding from Iran. Iranian funding for Hamas has also shifted over time, generally in an upwards trend with the exception of the

<sup>7</sup> “Remarks by President Biden on the United States’ Response to Hamas’s Terrorist Attacks Against Israel and Russia’s Ongoing Brutal War Against Ukraine,” The White House, October 20, 2023, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/10/20/remarks-by-president-biden-on-the-united-states-response-to-hamass-terrorist-attacks-against-israel-and-russias-ongoing-brutal-war-against-ukraine/>.

<sup>8</sup> “Secretary Antony J. Blinken Remarks to the Press,” U.S. Department of State, October 20, 2023, <https://www.state.gov/secretary-antony-j-blinken-remarks-to-the-press-13/>.

<sup>9</sup> Bill Hutchinson, Will Gretskey, Patricio Chile, and Ivan Pereira, “2 American hostages held since Hamas attack on Israel released: IDF,” ABC News, October 21, 2023, <https://abcnews.go.com/International/2-american-hostages-held-hamas-attack-israel-released/story?id=104069707>.

<sup>10</sup> “The Hostages and the Casualties,” Jimmy Carter Presidential Library & Museum, <https://www.jimmycarterlibrary.gov/research/additional-resources/hostage-crisis-in-iran/hostages-and-casualties>.

<sup>11</sup> “Khobar Towers Bombed,” The Washington Institute Lebanese Hezbollah Select Worldwide Activity Map, <https://www.washingtoninstitute.org/hezbollahinteractivemap/#id=214>.

<sup>12</sup> “Iran, Hamas and Hezbollah coordinated Gaza fighting in joint war room — report,” Times of Israel, May 29, 2021, <https://www.timesofisrael.com/iran-hamas-and-hezbollah-coordinated-gaza-fighting-in-joint-war-room-report/>.

split between Tehran and Hamas leaders over the Syrian civil war. Even then, funding for the Hamas political bureau was cut but never dried up, and funding for Hamas militant activity continued.

Allow me to explore the key ways Hamas raises and transfers funds, and then suggest some policy recommendations to address these illicit finance schemes.

#### *Taxation and Governance Income*

The breakdown of political systems and the proliferation of un- and under-governed spaces have allowed terrorist organizations to increasingly control territory, creating a unique funding opportunity based on taxing and extorting local populations. Such was the case with the Islamic State in Syria and Iraq, and such is the case with Hamas since it took over the Gaza Strip by force of arms (from fellow Palestinians) in 2007.

Both Egypt and Israel have targeted Hamas smuggling tunnels from Gaza into Sinai as a means of countering Hamas' tunnel trade and the taxation revenue it generated for the group.<sup>13</sup> Despite the needs of the civilian population in Gaza, Hamas prioritized weapons production, building up its terrorist forces, and digging tunnels (into Israel to carry out attacks, and within Gaza to move personnel and weapons underground and ambush Israeli soldiers in the case of an Israeli response to a Hamas attack). I have been in several Hamas tunnels dug into Israel, and they are sophisticated and expensive pieces of terrorist infrastructure which include electricity and telephone wiring, prefabricated cement walls and domed cement ceilings, and can run for miles with multiple offshoots.

Once it became the de facto governing regime in Gaza, Hamas gained access to new sources of funding, including taxes and customs fees. The European Union, for example, halted fuel shipments to Gaza in August 2007 over concern that Hamas would tax Gazans to fund its government and military arm. Hamas also began to impose large taxes on companies operating in Gaza, in addition to taxing specific commodities, many of which were smuggled into the area. Hamas also initiated fees for the registration of vehicles, licenses, and birth certificates. The group imposed heavy fines for the failure to license or register cars in Gaza, and opened customs offices near several border crossings to collect customs duties on incoming goods. These duties also apply to smuggled goods. Hamas reportedly patrols the network of underground tunnels in Gaza and shuts down those whose operators fail to pay these charges.<sup>14</sup>

The Gaza Strip's economy was valued in 2021 at an estimated \$27.779 billion.<sup>15</sup> The CIA estimated in 2018 that the Hamas-ruled Gaza Strip gets 18.78% of its GDP from taxes and 'other revenues.'<sup>16</sup> Much

<sup>13</sup> Raphael S. Cohen, David E. Johnson, David E. Thaler, Brenna Allen, Elizabeth M. Bartels, James Cahill, Shira Efron, "From Cast Lead to Protective Edge: Lessons from Israel's Wars in Gaza," RAND Corporation, 2017. Available at: [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR1800/RR1888/RAND\\_RR1888.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR1800/RR1888/RAND_RR1888.pdf).

<sup>14</sup> Matthew Levit, "Financial Setbacks for Hamas," PolicyWatch #1436, The Washington Institute for Near East Policy, December 3, 2008, <https://www.washingtoninstitute.org/policy-analysis/financial-setbacks-hamas>

<sup>15</sup> CIA, "Gaza Strip," The World Factbook, September 25, 2023, <https://www.cia.gov/the-world-factbook/countries/gaza-strip/#economy>.

<sup>16</sup> CIA, "Gaza Strip," The World Factbook, September 25, 2023, <https://www.cia.gov/the-world-factbook/countries/gaza-strip/#economy>.

of this goes to running the Gaza Strip, but a significant sum funds Hamas terrorist activities. By some estimates, Hamas earns an estimated half a billion dollars per year taxing goods that enter the Gaza Strip through the Rafah (Egypt) and Kerem Shalom (Israel) crossings.<sup>17</sup> The group earns an estimated \$14 million per month in customs fees through the traffic that passes through the Salah al-Din Gate alone<sup>18</sup> – just one of the seven border crossings into the Gaza Strip, though only three<sup>19</sup> were open prior to October 7.

The Hamas regime in Gaza also benefited from the ability to tax, and likely siphon off funds, from international aid and salary support. International donors funded infrastructure projects like schools and hospitals, as well. From 2014-2020, United Nations agencies provided close to \$4.5 billion to programs in Gaza. The government of Qatar has provided \$1.3 billion in aid and salary support to Gaza since 2012 (this was done in coordination with Israel and the international community, in an ultimately failed gambit to avert violence by investing in the Gaza economy), and the Palestinian Authority in the West Bank committed to spending \$1.7 billion in 2021 in salary support to PA civil servants kicked out of their jobs when Hamas took over the Gaza Strip.<sup>20</sup> As recently as October 4, Qatar was debating increasing its annual aid to the Gaza Strip, in a bid to facilitate the now sidelined Israeli-Saudi normalization deal.<sup>21</sup>

Prior to the Hamas massacre, the group was likely able to raise \$300m-\$400m or more a year through taxation, extortion, border control, and other means related to controlling the territory of the Gaza Strip.

#### *Iranian State Sponsorship*

Since its formation in late 1987, Hamas has received and continues to receive significant financial and other support from Iran. Over time, Iran's financial and other support for Hamas increased significantly. Canadian intelligence cites assessments that in 2002 Iran was transferring somewhere between \$3 million to \$18 million a year to Hamas. According to a Canadian report, "in February 1999, it was reported that Palestinian police had discovered documents that attest to the transfer of \$35

<sup>17</sup> Elie Podeh and Yitzhak Gal, "Gaza is poor, Hamas is rich: How does it make money, does Israel help?," Jerusalem Post, October 23, 2023, <https://www.jpost.com/opinion/article-769721>.

<sup>18</sup> Ramy Aziz, "Egypt, Israel, and Hamas: Opportunities for Progress in Gaza," The Washington Institute for Near East Policy, April 19, 2022, <https://www.washingtoninstitute.org/policy-analysis/egypt-israel-and-hamas-opportunities-progress-gaza>.

<sup>19</sup> "Movement in and out of Gaza: update covering August 2023," United Nations Office for the Coordination of Humanitarian Affairs, September 18, 2023, <https://www.ochaopt.org/content/movement-and-out-gaza-update-covering-august-2023>.

<sup>20</sup> "A Look at the Billions of Dollars in Foreign Aid to Gaza," Associated Press, December 20, 2021, <https://apnews.com/article/business-middle-east-israel-foreign-aid-gaza-strip-611b2b90c3a211f21185d59f4fa6a90>

<sup>21</sup> Jonathan Lis, "Qatar still undecided on increased aid to Gaza amid Israeli bid to calm tensions," October 4, 2023, <https://www.haaretz.com/israel-news/2023-10-04/ty-article/premium/qatar-still-undecided-on-increased-aid-to-gaza-amid-israeli-bid-to-calm-tensions/0000018a-f5ec-dbd1-a9ab-feede6730000>.



million to Hamas from the Iranian Intelligence Service (MOIS), money reportedly meant to finance terrorist activities against Israeli targets.”<sup>22</sup>

Iranian funding for Hamas and other Palestinian terrorist groups increased just around the time Coalition forces deposed Iraq’s Saddam Hussein, drying up the generous Iraqi grants to families of Palestinians killed, wounded or jailed in the course of attacking Israelis. In May 2004, the late Israeli national security reporter Zeev Schiff, wrote that Iranian financing support for Hamas and other Palestinian groups first started to increase in a serious way after the fall of Saddam Hussein in Iraq. “Intelligence information also suggests that Iran is passing over millions of dollars to Palestinians via Hezbollah contacts. Iran, in effect, is a replacement for former Iraqi leader Saddam Hussein, who subsidized families of Palestinian suicide bombers or those injured in the fighting. In the [Palestinian] territories, the funding is being managed by various Islamic welfare organizations.”<sup>23</sup>

For a time, Hamas accepted Iranian support but tried to guard its operational independence. Hamas was reluctant in its earlier years to accept too much money from Iran for fear of being bound to the expectations and instructions of Tehran’s Ayatollahs. But the increase in Iranian funding for Hamas in May 2004 came just weeks after the assassination of Hamas leader Abdel Aziz al-Rantissi. Rantissi’s death—itsself coming on the heels of the assassination of Hamas leader Sheikh Ahmed Yassin—made Hamas look weak and left the organization with no clear leadership. In Damascus, Hamas leader Khaled Mishal reportedly sought increased funding from Iran and a direct channel to Iranian Revolutionary Guards Corp (IRGC) in an effort to contain the impact of the loss of Yassin and Rantissi and reinvigorate Hamas operational cells. But even before this point, Hamas gladly accepted funding, weapons and training for its terrorist activities. Recall, for example, the case of Hassan Salamah, the Hamas commander who was the mastermind behind the string of suicide bus bombings carried out by Hamas in February and March 1996. Both in his statements to Israeli police and an interview on CBS’s “60 Minutes,” Salamah noted that after undergoing ideological indoctrination training in Sudan he was sent to Syria and from there transported to Iran on an Iranian aircraft to a base near Tehran. Osama Hamdan, Hamas’s representative to Iran at the time, met Salamah in Tehran, after which Salamah underwent three months of military training at the hands of Iranian trainers.<sup>24</sup>

Iran’s provision of support to Hamas has continued over time. According to a 2010 U.S. Department of Defense report on Iran’s military power, Iran provided Hezbollah and several Palestinian terrorist groups—including Hamas—“with funding, weapons, and training to oppose Israel and disrupt the Middle East Peace Process,” noting that such assistance was at that time smuggled into Gaza through tunnels under the Philadelphi corridor (which runs along the Gaza-Egypt border).<sup>25</sup>

<sup>22</sup> “Terrorist Group Profiler,” Canadian Secret Intelligence Service (CSIS), June 2002, Author’s personal files; See also Stewart Bell, “Hamas May Have Chemical Weapons: CSIS Report Says Terror Group May be Experimenting,” *National Post* (Canada), December 10, 2003.

<sup>23</sup> Zeev Schiff, “Iran and Hezbollah Trying to Undermine Renewed Peace Efforts,” *Haaretz*, May 12, 2004.

<sup>24</sup> Transcript of “Suicide Bomber: The Planning of the Bloodiest Suicide Bombing Campaign in Israel’s History,” *CBS 60 Minutes*, October 5, 1997.

<sup>25</sup> Unclassified Report on Military Power of Iran, April 2010, U.S. Department of Defense, <http://www.foxnews.com/projects/pdf/IranReportUnclassified.pdf>

Relations between Hamas and Iran soured over Hamas' decision not to back the regime of Bashar al-Assad in the Syrian civil war. For years, ever since Hamas leadership was kicked out of Amman, Jordan, in 1999, Hamas had maintained the headquarters of its external leadership in Damascus.<sup>26</sup> But in January 2012, Hamas leader Khaled Mishal abandoned the group's Damascus base.<sup>27</sup> By February 2012, Hamas deputy leader Mousa Abu Markzouk, then located in Egypt, commented that "The Iranians are not happy with our position on Syria, and when they are not happy, they don't deal with you in the same old way."<sup>28</sup>

And yet, Iranian funding for Hamas never completely stopped. And while the group's rift with Tehran may have seriously affected funding for Hamas' political activities, the group's military wing was not as badly affected. Moreover, by early 2014, relations between Hamas and Iran started to get back on track.<sup>29</sup>

In 2014, Hamas demonstrated to Iran that it could effectively target Israel, and Iran took notice. According to the Congressional Research Service, "Since the 2014 Hamas-Israel conflict," the report continues, "Iran has apparently sought to rebuild the relationship with Hamas by providing missile technology that Hamas used to construct its own rockets and by helping it rebuild tunnels destroyed in the conflict with Israel."<sup>30</sup>

Such conclusions are supported by evidence that became public in several prominent cases. Take for instance the weapons shipment intercepted by the Israeli Navy on March 5, 2014. The Klos-C, a commercial ship flying a Panamanian flag, was intercepted in the Red Sea off the Eritrean coast. According to the Israeli Ministry of Foreign Affairs, when the Israeli Navy boarded the ship and examined its cargo, they found a variety of weapons, including: 40 M-302 surface to surface rockets manufactured in Syria, with a range of 90-200 km; 181 122mm mortar shells; and 400,000 rounds of assault rifle ammunition.<sup>31</sup>

In a sign that Iranian funding to Hamas was back in full swing, in September 2015, the Treasury Department designated a dual British-Jordanian citizen based in Saudi Arabia who was coordinating the transfer of tens of millions of dollars from Iran to Saudi Arabia to fund Hamas' Qassam Brigades and Hamas activities in Gaza.<sup>32</sup>

<sup>26</sup> Matthew Levitt, *Hamas: Politics, Charity and Terrorism in the Service of Jihad* (Yale University Press, 2006), p. 49.

<sup>27</sup> Fares Akram, "Hamas Leader Abandons Longtime Base in Damascus," *New York Times*, January 27, 2012, <http://www.nytimes.com/2012/01/28/world/middleeast/khaled-meshal-the-leader-of-hamas-vacates-damascus.html>.

<sup>28</sup> "Hamas Political Leaders Leave Syria for Egypt and Qatar," *BBC News*, February 28, 2012, <http://www.bbc.com/news/world-middle-east-17192278>.

<sup>29</sup> Harriet Sherwood, "Hamas and Iran Rebuild Ties Three Years after Falling Out over Syria," *The Guardian*, January 9, 2014, <http://www.theguardian.com/world/2014/jan/09/hamas-iran-rebuild-ties-falling-out-syria>.

<sup>30</sup> <https://www.fas.org/sep/crs/mideast/R44017.pdf>

<sup>31</sup> "Missile Shipment from Iran to Gaza intercepted," *Israel Ministry of Foreign Affairs*, March 5, 2014, <http://mfa.gov.il/MFA/PressRoom/2014/Pages/Missile-shipment-from-Iran-to-Gaza-intercepted-5-Mar-2014.aspx>.

<sup>32</sup> "Treasury Sanctions Major Hamas Leaders, Financial Facilitators and a Front Company," *United States Department of Treasury*, September 10, 2015, <https://www.treasury.gov/press-center/press-releases/Pages/j10159.aspx>

From 2012 through 2016, Hamas finance operatives in Lebanon helped facilitate the flow of funds from Iran's IRGC, through Lebanese Hezbollah, to Hamas. Consider the case of Beirut-based Mohammad Sarur, who is tied to both Hezbollah and Hamas. According to the U.S. Treasury Department, "Sarur served as a middle-man between the IRGC-QF and Hamas and worked with Hizballah operatives to ensure funds were provided to the Izz-Al-Din Al-Qassam Brigades. In 2011 and extending through 2016, Sarur worked for Hizballah's Bayt al-Mal."<sup>33</sup>

In November 2018, the Treasury Department uncovered a complex "oil-for-terror" network that benefited Hamas, among others. The scheme involved the shipment of Iranian oil, with the help of Iranian operatives and Russian companies, to the Assad regime in Syria, who would then hand over the hundreds of millions of U.S. dollars in profits to the IRGC.<sup>34</sup> From there, the IRGC would distribute the funds to two of Iran's most important proxies – Hezbollah and Hamas. This scheme allowed Russia to evade U.S. sanctions and Iran to fund its proxy organizations across the Middle East.<sup>35</sup> Crucial to this plot were two central actors: Hezbollah official Mohamed Qasir and Russia-based Syrian national Mohamed Alchwiki; this "oil-for-terror" network was sanctioned by the U.S. Treasury on May 25, 2022.<sup>36</sup>

Today, U.S.<sup>37</sup> and Israeli<sup>38</sup> officials estimate that Iran provides Hamas \$70m-\$100m a year. Hamas leader Ismail Haniyeh claimed in a 2022 interview with Al Jazeera that his group receives \$70m a year from Iran.<sup>39</sup> Last week, the Treasury designated Muhammad Nasrallah, a veteran Hamas operative based in Qatar with close ties to Iran who was involved in the transfer of tens of millions of dollars to Hamas, including the Qassam Brigades.<sup>40</sup>

#### *Abuse of Charity and Crowdfunding Campaigns*

In the past, Hamas relied very heavily on abuse of charity. At one point, the largest Muslim charity in the United States was the Holy Land Fund for Relief and Development (HLF), which was designated<sup>41</sup>

<sup>33</sup> "Treasury Targets Facilitators Moving Millions to Hamas in Gaza," U.S. Department of the Treasury, August 29, 2019, <https://home.treasury.gov/news/press-releases/sm761>.

<sup>34</sup> Matthew Levitt, "Hezbollah's Regional Activities in Support of Iran's Proxy Networks," The Middle East Institute, July 2021, <https://www.washingtoninstitute.org/media/4707>.

<sup>35</sup> Aurora Ortega and Matthew Levitt, "Hezbollah and Russia's Nascent Alliance," RUSI, May 23, 2023, <https://www.washingtoninstitute.org/media/6483?disposition=inline>.

<sup>36</sup> "Treasury Targets Oil Smuggling Network Generating Hundreds of Millions of Dollars for Qods Force and Hizballah," U.S. Department of the Treasury, May 25, 2022, <https://home.treasury.gov/news/press-releases/jy0799>.

<sup>37</sup> Nathan Sales, "Tehran's International Targets: Assessing Iranian Terror Sponsorship," The Washington Institute for Near East Policy, November 13, 2018, <https://www.washingtoninstitute.org/policy-analysis/tehrans-international-targets-assessing-iranian-terror-sponsorship>.

<sup>38</sup> Patrick Wintour, "No evidence yet of Iran link to Hamas attack, says Israeli military," The Guardian, October 9, 2023, <https://www.theguardian.com/world/2023/oct/09/no-evidence-yet-of-iran-link-to-hamas-attack-says-israeli-military>.

<sup>39</sup> Samia Nakhoul, "How Hamas secretly built a 'mini-army' to fight Israel," Reuters, October 16, 2023, <https://www.reuters.com/world/middle-east/how-hamas-secretly-built-mini-army-fight-israel-2023-10-13/>.

<sup>40</sup> "Following Terrorist Attack on Israel, Treasury Sanctions Hamas Operatives and Financial Facilitators," U.S. Department of the Treasury, October 18, 2023, <https://home.treasury.gov/news/press-releases/jy1816>.

<sup>41</sup> "Shutting Down the Terrorist Financial Network," U.S. Department of the Treasury, December 4, 2001, <https://home.treasury.gov/news/press-releases/po841>.



as a Hamas entity and several of its senior officials were convicted<sup>42</sup> in criminal court of providing material support to Hamas. In its 2018 National Strategy for Combating Terrorist and other Illicit Financing, the Treasury noted that “Hamas, which has historically raised funds in the United States through the creation of sham or fraudulent charities, continues to look to the United States as a venue for revenue generation.”<sup>43</sup> Recently, Hamas’ abuse of charity and other unconventional financial networks has been on the rise in recent years in the Middle East and elsewhere.

Just hours after the October 7 attack on Israel, Gaza Now – a pro-Hamas Palestinian news outlet – announced several fundraising campaigns on platforms including Instagram, Telegram, and Ko-Fi.<sup>44</sup> The campaign solicited donations in U.S. dollars, Euros, and various cryptocurrencies that passed through a variety of American and European financial institutions. Other crowdsourcing campaigns designed to funnel money to Hamas include those set up by the U.K.-based Al-Qureshi Executives, the U.K. and Turkey-based Al Khair Foundation, and Kudus Vakfi,<sup>45</sup> an NGO based in Turkey and run by senior leadership of the U.S.-sanctioned Al Aqsa Foundation.<sup>46</sup>

On October 10, senior Hamas’ official Khalid Meshal gave a speech supporting Hamas’ attack on Israel and calling for financial jihad to support the group.<sup>47</sup> Other recent examples of Hamas’ abuse of charity and crowdfunding include the following:

- The French NGO Humani’Terre organized a fundraising campaign after the events of October 7, 2023 on its website and social media accounts. The group appears to be tied to an organization sanctioned by the U.S. in 2003<sup>48</sup> called Comité de Bienfaisance et de Secours aux Palestiniens (CBSP), which utilised the same address and phone number as Humani’Terre. CBSP was sanctioned by the U.S. in 2003 and called a “primary [fundraiser] for Hamas in France.”<sup>49</sup> Humani’Terre collects money through mosques and other Islamic institutions, then funnels that money to Hamas through various sub-organizations.<sup>50</sup>

<sup>42</sup> “Federal Judge Hands Down Sentences in Holy Land Foundation Case,” U.S. Department of Justice, May 27, 2009, <https://www.justice.gov/opa/pr/federal-judge-hands-down-sentences-holy-land-foundation-case>.

<sup>43</sup> “National Strategy for Combating Terrorist and other Illicit Financing, 2018” U.S. Department of the Treasury, 2018, <https://home.treasury.gov/system/files/136/nationalstrategyforcombatingterroristandotherillicitfinancing.pdf>

<sup>44</sup> “Hamas-Linked Networks Mobilize Crowdfunding Campaigns Following Attacks on Israel,” Kharon, October 11, 2023, <https://brief.kharon.com/updates/hamas-linked-networks-mobilize-crowdfunding-campaigns-following-attacks-on-israel/#>.

<sup>45</sup> “Hamas-Linked Networks Mobilize Crowdfunding Campaigns Following Attacks on Israel,” Kharon, October 11, 2023, <https://brief.kharon.com/updates/hamas-linked-networks-mobilize-crowdfunding-campaigns-following-attacks-on-israel/#>.

<sup>46</sup> “Treasury Designates Al-Aqsa International Foundation as Financier of Terror Charity Linked to Funding of the Hamas Terrorist Organization,” U.S. Department of the Treasury, May 29, 2003, <https://home.treasury.gov/news/press-releases/1s439>.

<sup>47</sup> “Former Hamas Leader Khaled Mashal Calls for ‘Friday of the al-Aqsa Flood’: Muslims Should Take to the Streets Worldwide, Join Mujahideen on Their Way to Palestine,” Middle East Media Research Institute, October 10, 2023, <https://www.memri.org/tv/fmr-hamas-leader-calls-muslims-world-join-battle-palestine>.

<sup>48</sup> “SDGT Designations,” U.S. Department of the Treasury, August 21, 2003, <https://ofac.treasury.gov/recent-actions/20030821>.

<sup>49</sup> “U.S. Designates Five Charities Funding Hamas and Six Senior Hamas Leaders as Terrorist Entities,” U.S. Department of the Treasury, August 22, 2003, <https://home.treasury.gov/news/press-releases/1s672>.

<sup>50</sup> “Hamas-Linked Charity in France Among Latest to Call for Donations,” Kharon, October 13, 2023, <https://brief.kharon.com/updates/hamas-linked-charity-in-france-among-latest-to-call-for-donations/#>.

- Launched on October 9, 2023, the Kuwait-based Mobilization for Palestine Campaign has reportedly raised over \$8 million dollars for Gaza.<sup>51</sup> Organizations supporting the campaign include the Revival of Islamic Heritage Society (RIHS), which was designated in 2008, and NGOs with links to the U.S.-sanctioned Union of Good.<sup>52</sup>
- An audit conducted by the Canadian Revenue Agency cited concerns over the Muslim Association of Canada's (MAC) ties to Hamas and the Egyptian Muslim Brotherhood, resulting in MAC losing its official charity status.<sup>53</sup>
- In August 2022, Mohammad al-Halabi, the former chief of World Vision International, was sentenced to twelve years in prison for diverting \$50 million of World Vision's budget and large quantities of construction materials to Hamas over a period of ten years.<sup>54</sup> Halabi was arrested at the Erez Crossing in June 2016.

In December 2013, Israel sanctioned 12 individuals and 3 entities for their role in financing Hamas, a network it referred to as "Hamas HQ in Europe."<sup>55</sup> Israel designated the Council for European Palestinian Relations (CEPR), the European NGO's Empowerment Services (ENES), and the European Campaign to End the Siege on Gaza (ECESG). This announcement marked the first time Israel sanctioned individuals as well as entities, including Essam Yousef Mustafa, head of Interpal – a member organization of the U.S.-sanctioned 'Union of Good.'<sup>56</sup>

Hamas also relies on bitcoin and other cryptocurrencies to facilitate donations. Perhaps contrary to conventional wisdom, a 2019 RAND Corporation study of terrorist use of cryptocurrencies concluded that "[c]urrent concerns about cryptocurrency as a significant enabler of terrorist groups are almost certainly overblown, but coming improvements in cryptocurrency technologies will likely have a significant long-term effect on CTF."<sup>57</sup> Yet, in August 2020, the US Department of Justice announced an operation that led to the largest seizure of terrorists' cryptocurrency account ever and the dismantling of three different "cyber-enabled" terror finance campaigns by Hamas' Qassam Brigades, al-Qaeda, and Islamic State.<sup>58</sup> Recently, analysts from the National Counterterrorism Center (NCTC)

<sup>51</sup> "Kuwait Group with Ties to Hamas and al-Qaida Raise \$8 million for Gaza," Kharon, October 12, 2023, <https://brief.kharon.com/updates/kuwait-groups-with-ties-to-hamas-and-al-qaida-raise-8-million-for-gaza/>.

<sup>52</sup> "Treasury Designated the Union of Good," U.S. Department of the Treasury, November 12, 2008, <https://home.treasury.gov/news/press-releases/hpl1267>.

<sup>53</sup> Stewart Bell, "Auditors allege Canadian charity helped Hamas financier," Global News, October 13, 2023, <https://globalnews.ca/news/10014362/cra-audit-canadian-charity-hamas-network/>.

<sup>54</sup> Shira Rubin and Hazem Balousha, "Israel sentences Gaza aid worker convicted of funding Hamas to 12 years," Washington Post, August 30, 2022, <https://www.washingtonpost.com/world/2022/08/30/israel-gaza-halabi-world-vision/>.

<sup>55</sup> Matthew Levitt, "Kidnapped Israeli Teens Compel Scrutiny of Hamas's International Finances," The New Republic, June 24, 2014, <https://newrepublic.com/article/118349/kidnapped-israeli-teens-cause-scrutiny-hamas-international-finance>.

<sup>56</sup> "Treasury Designated the Union of Good," U.S. Department of the Treasury, November 12, 2008, <https://home.treasury.gov/news/press-releases/hpl1267>.

<sup>57</sup> Cynthia Dion-Schwarz, David Mannheim and Patrick B. Johnston, "Terrorist Use of Cryptocurrencies: Technical and Organizational Barriers and Future Threats," RAND Corporation, 2019, p. 55, [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR3000/RR3026/RAND\\_RR3026.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR3000/RR3026/RAND_RR3026.pdf).

<sup>58</sup> Office of Public Affairs, "Global Disruption of Three Terror Finance Cyber-Enabled Campaigns," US Department of Justice, 13 August 2020. Available at: <https://www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns>

reported that “Since 2015, we have noted increased sophistication in the methods terrorist groups are using, particularly the adoption of cryptocurrencies.”<sup>59</sup>

Hamas’ al Qassam Brigades posted a call online for Bitcoin donations to fund the group’s terrorist activities. Hamas “boasted that bitcoin donations were untraceable and would be used for violent causes. Their websites offered video instruction on how to anonymously make donations, in part by using bitcoin addresses generated for each individual donor,” the Department of Justice explained. Unfortunately, for the donors, these donations were not, in fact, anonymous. Federal agents tracked and seized 150 cryptocurrency accounts and executed criminal search warrants for US-based subjects who donated to the Hamas fundraising campaign. They then seized the actual infrastructure of the Hamas websites, and proceeded to run them covertly such that when people made donations intended for Hamas, the funds actually went to bitcoin wallets controlled by United States authorities.<sup>60</sup>

At least in partial response to efforts by U.S. and other authorities, Hamas announced in April 2023 that it would no longer accept donations via bitcoin in an effort to evade detection by new technologies used to track illicit financing streams.<sup>61</sup> However, this statement was called into question after Israeli authorities announced it had frozen over 100 suspicious Binance accounts and seized millions in crypto coins in the days following Hamas’ October 7 attack.<sup>62</sup> Open-source analysis points out that while crypto plays an important and developing role in Hamas’ fundraising efforts, the group will continue to rely heavily on more traditional means of raising and moving money, including the use of shell companies, hawalas, and money laundering operations.<sup>63</sup>

Still, the issue rightly deserves attention. Recognizing that Hamas and Palestinian Islamic Jihad still raise and transfer funds through virtual currency, and that they seek to further launder the funds and hide their financial footprint by employing convertible virtual currency mixing, Treasury’s Financial Crimes Enforcement Network (FinCEN) recently proposed new regulation to enhance transparency in this space to combat terrorist financing. Announcing this proposed rulemaking, FinCEN specifically noted it sought to increase transparency around the use of CVC mixing “to combat its use by malicious actors including Hamas, Palestinian Islamic Jihad” and others.<sup>64</sup>

<sup>59</sup> NCTC Senior Analysts, “Calibrated Counterterrorism: Actively Suppressing International Terrorism,” CTC Sentinel, Vol. 16, Issue 8, August 2023, <https://etc.westpoint.edu/calibrated-counterterrorism-actively-suppressing-international-terrorism/>

<sup>60</sup> Office of Public Affairs, “Global Disruption of Three Terror Finance Cyber-Enabled Campaigns,” US Department of Justice, 13 August 2020. Available at: <https://www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns>

<sup>61</sup> Emanuel Fabian, “Hamas suspends Bitcoin fundraising, ‘citing ‘hostile’ activity against donors,” Times of Israel, April 29, 2023, <https://www.timesofisrael.com/hamas-suspends-bitcoin-fundraising-citing-hostile-activity-against-donors/>.

<sup>62</sup> Scott Chipolina, “Israel orders freeze on crypto accounts in bid to block funding for Hamas,” Financial Times, October 17, 2023, <https://www.ft.com/content/e03a370b-777f-46e2-8576-d1cee731efe2>.

<sup>63</sup> “Correcting Recent Claims on Crypto’s Role in Terrorism Financing,” Chainalysis, October 18, 2023, <https://www.chainalysis.com/blog/cryptocurrency-terrorism-financing-accuracy-check/#:>

<sup>64</sup> “FinCEN Proposes New Regulation to Enhance Transparency in Convertible Virtual Currency Mixing and Combat Terrorist Financing,” Financial Crimes Enforcement Network, U.S. Department of the Treasury, October 19, 2023, <https://www.fincen.gov/news/news-releases/fincen-proposes-new-regulation-enhance-transparency-convertible-virtual-currency#:~:text=This%20NPRM%20highlights%20the%20risks,the%20Democratic%20People’s%20Republic%20of>

*Hamas Finance Committee and Investment portfolios*

Over the years, Hamas has turned to trusted Hamas operatives around the Middle East and North Africa to take on key financial facilitator roles, including serving as members of the Hamas Finance Office and its Investment Office.

In 2015, the Treasury Department revealed that Mahir Jawad Yunis Salah—a dual UK and Jordanian citizen based in Saudi Arabia—had been serving as the leader of the Hamas Finance Committee since at least 2013. At the time, the Treasury reported, the Hamas Finance Committee in Saudi Arabia was “the largest center of Hamas’ financial activity.” In this capacity, Salah managed Hamas front companies in Saudi Arabia that laundered funds for Hamas and oversaw the transfer of tens of millions of dollars from Iran to Saudi Arabia, specifically to fund Hamas’ Qassam Brigades and Hamas activities in Gaza. Another Hamas official Treasury targeted was Abu-Ubaydah al-Agha, a Saudi citizen and senior Hamas financial officer “involved in investment, funding, and money transfers for Hamas in Saudi Arabia.” Al-Agha managed a Saudi company with branches in Sudan that invested funds and transferred funds for Hamas.<sup>65</sup>

Four years later, in September 2019, the Treasury Department designated Zaher Jabarin, a Turkey-based Hamas official who headed the Hamas Finance Office and managed Hamas’ annual budget “amounting to tens of millions of dollars.” In recent years, the Treasury reported, Jabarin had promoted Hamas terrorist activities in the West Bank and Gaza targeting Israel “by transferring hundreds of thousands of U.S. dollars in the West Bank to finance Hamas’ terrorist activity.” He also worked to “promote business activity and investments to generate revenue for Hamas.”<sup>66</sup>

By 2022, the Treasury Department publicly outed the Hamas Investment Office, which “held assets estimated to be worth more than \$500 million, including companies in Sudan, Turkey, Saudi Arabia, Algeria, and the United Arab Emirates.” The Investment Office oversees day to day portfolio management, but only the Hamas Shura Council and Executive Committee exercise full control and oversight of Hamas’ international investment portfolio.<sup>67</sup> Ahmed Sharif Abdallah Odeh, a Jordanian, ran Hamas’ international investment portfolio until 2017, the Treasury reported, later overseeing the portfolio on behalf of the Hamas Shura Council. In mid-2017, Usama Ali was appointed to head the Hamas Investment Office, and at the same time sat on Hamas’ Executive Committee.<sup>68</sup>

In the same designation package, the Treasury also sanctioned Usalam Ali’s deputy, Hisham Qafishah, a Turkey-based Jordanian who played central roles in several Hamas companies in Sudan, Turkey, and

<sup>65</sup> “Treasury Sanctions Major Hamas Leaders, Financial Facilitators and a Front Company,” U.S. Department of the Treasury, September 10, 2015, <https://home.treasury.gov/news/press-releases/f10159>

<sup>66</sup> “Treasury Targets Wide Range of Terrorists and their Supporters using Enhanced Counterterrorism Sanctions Authorities,” U.S. Department of the Treasury, September 10, 2019, <https://home.treasury.gov/news/press-releases/sm772>

<sup>67</sup> “Treasury Targets Covert Hamas Investment Network and Finance Official,” U.S. Department of the Treasury, May 24, 2022, <https://home.treasury.gov/news/press-releases/y0798>

<sup>68</sup> “Treasury Targets Covert Hamas Investment Network and Finance Official,” U.S. Department of the Treasury, May 24, 2022, <https://home.treasury.gov/news/press-releases/y0798>



Saudi Arabia. Abdallah Sabri, a Kuwait-based Jordanian national who worked in the Hamas Finance Ministry for years, was also designated.<sup>69</sup>

The Investment Office also held assets in companies in the UAE and Algeria. At one point, Hamas planned to issue \$15 million of the shares in one of its companies, Turkey-based Trend GYO, to senior officials in the investment portfolio. And in mid-2019, Hamas portfolio managers considered selling an asset of another Hamas company, Itqan Real Estate, which was valued at \$150 million. “A significant portion” of funds transferred by Hamas companies like Sidar Company in Algeria and Itqan Real Estate JSC in the UAE, were specifically allocated to fund Hamas’ Qassam Brigades.<sup>70</sup>

Just days after the Hamas massacre, the Treasury followed up these earlier actions with a new tranche of designations targeting Hamas members managing a “secret Hamas investment portfolio.” These include another Sudan-based Hamas financier, Abdelbasit Hamza, who was involved in the transfer of almost \$20 million to Hamas in one instance alone. It also targeted members of Hamas’ investment network in Turkey and Algeria, including Amer Alshawa, the CEO of previously designated Trend GYO.<sup>71</sup>

#### *Means of transferring funds*

Identifying how Hamas raises funds is critical, but it is equally important to understand how Hamas transfers funds. Hamas uses the formal financial system (banks), but also money exchange houses and hawaladars, smuggling, sending people credit cards, trade based money laundering, sending funds to third parties with no known ties to the group, and more. Consider some examples:

The recent FinCEN alert issued on October 20, 2023, stated that in addition to moving money through the physical smuggling of cash, Hamas utilizes “a regional network of complicity money transmitters, exchange houses, and Hezbollah-affiliated banks.”<sup>72</sup> In 2019, Treasury sanctioned Muhammad Sarur, a Hamas and Hezbollah-affiliated operative who was in charge of transferring money from the IRGC-QF to the Izz al-Din al-Qassam Brigades, leveraging his position at the Lebanese Bayt al-Mal (in English: ‘house of money’), a Treasury-designated terrorist entity and Hezbollah bank.<sup>73</sup> The Treasury designation referred to Sarur as a “middle-man” between Hamas and the IRGC-QF.

<sup>69</sup> “Treasury Targets Covert Hamas Investment Network and Finance Official,” U.S. Department of the Treasury, May 24, 2022, <https://home.treasury.gov/news/press-releases/jv0798>

<sup>70</sup> “Treasury Targets Covert Hamas Investment Network and Finance Official,” U.S. Department of the Treasury, May 24, 2022, <https://home.treasury.gov/news/press-releases/jv0798>

<sup>71</sup> “Following Terrorist Attack on Israel, Treasury Sanctions Hamas Operatives and Financial Facilitators,” U.S. Department of the Treasury, October 18, 2023, <https://home.treasury.gov/news/press-releases/jv1816>

<sup>72</sup> “FinCEN Alert to Financial Institution to Counter Financing to Hamas and its Terrorist Activities,” Financial Crimes Enforcement Network, U.S. Department of the Treasury, October 20, 2023, [https://www.fincen.gov/sites/default/files/2023-10/FinCEN\\_Alert\\_Terrorist\\_Financing\\_FINAL508.pdf](https://www.fincen.gov/sites/default/files/2023-10/FinCEN_Alert_Terrorist_Financing_FINAL508.pdf).

<sup>73</sup> “Treasury Designation Targets Hezbollah’s Bank,” U.S. Department of the Treasury, September 7, 2006, <https://home.treasury.gov/news/press-releases/hp83>.

In another example of Hamas' exploitation of traditional banks and financial systems, in the days following the Hamas massacre Israeli authorities froze a Barclays bank account tied to Hamas fundraising efforts.<sup>74</sup> Speaking in the aftermath of Hamas' October 7 attack on Israel, Under Secretary of the Treasury Brian Nelson stated, "Hamas financiers have long enjoyed unimpeded access to many jurisdictions and likely their financial systems as well."<sup>75</sup>

Hamas also uses the informal financial system, like money exchange houses and hawaladars, to move funds. For example:

- Between 2011 and 2014, Egyptian-national Mohammed Awad, aided in the transfer of tens of millions of dollars to Hamas through his money exchange business.<sup>76</sup>
- In September 2019, the Treasury Department designated Turkey-based Redin Exchange, which Iran's IRGC used to transfer millions of dollars to Hamas. Hamas, in turn, used Redin Exchange to transfer millions of dollars to the Qassam Brigades.<sup>77</sup>
- The Jerusalem Post reported in June 2015 that Iran used a network of hawalas to transfer tens of millions of dollars to Hamas to fund the construction of "terror tunnels" and resupply the groups' supply of missiles.<sup>78</sup> This type of off-the-grid money transfer system is appealing to entities like Iran and its terror proxies who are looking to avoid the effects of international sanctions.

Hamas also uses less conventional means of moving its money around, including sending people credit cards, smuggling operations, and using third person cut-outs. Several examples of these methodologies include:

- In September 2022, the IDF announced that it had broken up a cell of students at Birzeit University who were using credit cards to fund Hamas activities in the West Bank.<sup>79</sup> The group received the funds from Hamas itself and from operatives located in Turkey.
- According to the Department of the Treasury, Sarur (noted above) coordinated with a "Hamas financial facilitator and money smuggling operations officer" to smuggle money from Iranian coffers to Hamas.<sup>80</sup>

<sup>74</sup> "Israel Freezes Barclays bank account linked to Hamas financing," Reuters, October 11, 2023,

<https://www.reuters.com/world/middle-east/israel-freezes-barclays-bank-account-linked-hamas-fundraising-2023-10-11/>

<sup>75</sup> "Opening Remarks by Under Secretary Brian Nelson at Executive Committee Meeting of the Terrorist Financing Targeting Center," U.S. Department of the Treasury, October 24, 2023, <https://home.treasury.gov/news/press-releases/y1836>

<sup>76</sup> "Treasury Sanctions Major Hamas Leaders, Financial Facilitators and a Front Company," U.S. Department of the Treasury, September 10, 2015, <https://home.treasury.gov/news/press-releases/j0159>

<sup>77</sup> "Treasury Targets Wide Range of Terrorists and their Supporters using Enhanced Counterterrorism Sanctions Authorities," U.S. Department of the Treasury, September 10, 2019, <https://home.treasury.gov/news/press-releases/sm772>

<sup>78</sup> Johnny Yarom, "Tunnel Funds," Jerusalem Post, June 2, 2015, <https://www.jpost.com/opinion/tunnel-funds-404841>.

<sup>79</sup> Emanuel Fabian, "IDF says it busted Hamas financing ring at West Bank university," Times of Israel, September 29, 2022, [https://www.timesofisrael.com/liveblog\\_entry/idf-says-it-busted-hamas-financing-ring-at-west-bank-university/](https://www.timesofisrael.com/liveblog_entry/idf-says-it-busted-hamas-financing-ring-at-west-bank-university/).

<sup>80</sup> "Treasury Targets Facilitators Moving Millions to Hamas in Gaza," U.S. Department of the Treasury, August 29, 2019, <https://home.treasury.gov/news/press-releases/sm761>.

- Nassim Nasser served as a Hamas cut-out after being recruited by Hamas in 2020. He transferred money from Hamas to the Palestinian Islamic Jihad's commander based in Jenin, who would then distribute the money to Palestinian prisoners detained in Israeli jails and the families of slain militants.<sup>81</sup>

### Recommendations

#### ***1. The most immediate task at hand to undermine Hamas financing is seeing to the group's territorial defeat in the Gaza Strip.***

Over time, since Hamas took over the Gaza Strip in 2007, the group has developed the means of taxing the local economy, diverting aid, raising funds from controlling border crossing, extorting funds from the local population, and running racketeering business frameworks.<sup>82</sup> As was the case with the Islamic State, dislodging Hamas from its position as the de facto government of the Gaza Strip—where it enjoys safe haven and has been able to build raise funds, collect weapons, develop its own domestic rocket production capability, train, and ultimately carry out the October 7 massacre—is the single most effective way to deny the group the significant amounts of funding and resources.

It should be noted, however, that while ending Hamas control of the Gaza Strip will terminate its ability to raise funds through control of territory, it will also eliminate most of the group's largest expenses, such as paying salaries and providing social services. It will therefore be critical to follow up with efforts to stem the flow of funds from the group's other sources of income, since the group will then need less money to continue funding terrorism without the burden of governance.

#### ***2. Move beyond a siloed approach to Iran's malign activities that prioritizes the nuclear file over Tehran's state sponsorship of terrorism, efforts to undermine regional stability, and its own acts of terrorism like its worldwide assassination and abduction plots.***

Widely seen as the least capable of Iran's regional proxy groups, Hamas carried out a horrific attack targeting civilians that involved gruesome crimes against humanity and has not brought the entire region to the brink of a regional war. Addressing Iran's nuclear file remains a critical priority, but the world cannot afford to ignore Iran's state sponsorship of terrorism and efforts to destabilize the Middle East.

#### ***3. Broaden focus beyond money to include resources more broadly. Hamas benefited from a variety of funding sources, but equally from complex resourcing, especially weapons.***

<sup>81</sup> Michael Starr, "Palestinian indicted for transferring millions to Islamic Jihad terrorists," Jerusalem Post, June 4, 2023, <https://www.jpost.com/breaking-news/article-745156>.

<sup>82</sup> "FinCEN Alert to Financial Institutions to Counter Financing to Hamas and its Terrorist Activities," Financial Crimes Enforcement Network (FinCEN), U.S. Department of the Treasury, FIN-2023-Alert006, October 20, 2023, [https://www.fincen.gov/sites/default/files/2023-10/FinCEN\\_Alert\\_Terrorist\\_Financing\\_FINAL508.pdf](https://www.fincen.gov/sites/default/files/2023-10/FinCEN_Alert_Terrorist_Financing_FINAL508.pdf)

Even as terrorist groups turn to local financing, in some cases lessening their dependence on financial support from abroad, they will still need to move funds cross-border to get what they cannot get at home. Alternatively, if a state sponsor provides resources such as weapons for free, these still need to be transferred to the terrorist group. The question of how Hamas was able to build up such a large stockpile of weapons is something that will demand significant attention in the post-crisis damage assessment of the Hamas massacre and the war it initiated.

Procurement of weapons and other necessities is not a new phenomenon in the context of terrorist financing, but the scale and scope of such activities can be far more significant today in the context of terrorist control of territory and terrorist economies. Indeed, the evolution and growth of certain terrorist actors into larger, better-resourced, and better-financed organizations has also portended a shift from as-needed procurement to the development of bureaucratic and large scale resourcing enterprises. “Terrorist resourcing,” as conceptualized by the Canadian Integrated Threat Assessment Centre, looks at all of the ways that terrorist organizations get the various resources they need (be those funds, goods, or less tangible forms of support) to those involved in terrorist acts and those who direct and support them.<sup>83</sup>

Whereas terrorist financing is traditionally characterized as a linear process that runs from collection to transmission and use of funds, the model suggests that the terrorist resourcing trail is a broad river with many branching tributaries. In this sense, resourcing is seen as a process that involves many items from a variety of sources to many recipients through multiple channels for different uses. As such, terrorist procurement often relies on networks of intermediaries, including those with no relation to the terrorist group. In this sense, such networks are especially vulnerable to disruption through exposure because they must maintain an air of legitimacy, especially in order to obtain items that could be dual use.

#### *4. Focus on Hamas’ traditional abuse of charity, which is on the rise.*

For a while, it seemed like terrorist abuse of charity was outdated as a preferred illicit finance typology. Then came the war in Syria and a series of other conflicts across the Middle East and North Africa, and the issue is now back on the agenda as a counterterrorism priority. Abuse of charity has long been a hallmark of Hamas financing, but the current crisis created by the Hamas massacre has led to a critical humanitarian crisis which Hamas and its supporters have already started taking advantage of.

As conflicts erupt in areas where terrorist groups operate, opportunities arise for terrorist groups and their supporters to raise funds fraudulently under the guise of legitimate charitable giving. This is especially the case in those situations where terrorists control territory, but also in cases where the need is most dire and time that might otherwise be spent conducting due diligence is fast tracked to get

<sup>83</sup> “Terrorist Financing and Resourcing,” Integrated Threat Assessment Centre (ITAC), Government of Canada, 2007; “FATF Report: Terrorist Financing in West Africa,” Financial Action Task Force (FATF), October 2013, p. 10. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/TF-in-West-Africa.pdf>, accessed 11 November 2020



support where it is most needed in an effort to save lives. Such calculations are understandable, but they also present a serious terrorist financing vulnerability directly related to the theme of localized terrorist funding. TRM Labs, which tracks cryptocurrency transactions on the blockchain, noted that in the past crypto fundraising has spiked following rounds of Hamas violence, pointing to over \$400,000 sent to Hamas-controlled crypto addresses following Hamas' May 2021 rocket war.<sup>84</sup>

FinCEN's alert to financial institutions to counter Hamas financing notes several red flag indicators focused on charitable giving to help detect, prevent, and report suspicious activities related to Hamas financing. For example, FinCEN flags cases where "a customer that is a charitable organization or nonprofit organization (NPO) solicits donations but does not appear to provide any charitable services or openly supports Hamas's terrorist activity or operations. In some cases, these organizations may post on social media platforms or encrypted messaging apps to solicit donations, including in virtual currency." Another red flag: "A customer that is a charitable organization or NPO receives large donations from an unknown source over a short period of time and then sends significant wire transfers or checks to other charitable organizations or NPOs."<sup>85</sup>

***5. Focus not only on how Hamas raises funds, but how Hamas transfers funds.***

It will never be possible to drain the swamp of all illicit financing, which is why it is critical to look not only at how Hamas raises money but Iran, Hezbollah and Hamas transfer funds. Sometimes the most effective way to stem the flow of funds to a terrorist group is to make it more difficult, time consuming, and costly to transfer those funds. The present regime in Iran, for example, will not be convinced to stop financing groups like Hamas or Hezbollah, but there are likely myriad ways to frustrate Iran's efforts to transfer funds to these groups, especially Hamas.

***6. Work with partners to enforce existing sanctions.***

Last week's Treasury action included follow up on a Turkey-based company previously designated by the Treasury that continues to fund Hamas. Hamas charities in Europe continue to function, despite Hamas being designated as a terrorist group in its entirety. In the U.K., one of America's closest allies, U.S.-indicted Hamas operative Mohammad Sawalha walks free and entities like the U.S.-designated Hamas charity INTERPAL continue to operate in the U.K. Hamas leaders like Salah al-Aroui, Khalied Mishal, Ismail Haniyeh and Yihye Sinwar play hands-on roles in both Hamas operational and financial decisions, but they live freely in the capitals of U.S. allies.

<sup>84</sup> Hadeel Al Sayegh, John O'Donnel, Elizabeth Howcroft, "Who Funds Hamas? A Global Network of Crypto, Cash and Charities," Reuters, October 16, 2023, <https://www.reuters.com/world/middle-east/hamas-cash-to-crypto-global-finance-maze-israels-sights-2023-10-16/>

<sup>85</sup> "FinCEN Alert to Financial Institutions to Counter Financing to Hamas and its Terrorist Activities," Financial Crimes Enforcement Network (FinCEN), U.S. Department of the Treasury, FIN-2023-Alert006, October 20, 2023, [https://www.fincen.gov/sites/default/files/2023-10/FinCEN\\_Alert\\_Terrorist\\_Financing\\_FINAL508.pdf](https://www.fincen.gov/sites/default/files/2023-10/FinCEN_Alert_Terrorist_Financing_FINAL508.pdf)

Before dreaming up new authorities, U.S. officials should work with allies to enforce existing sanctions. Given the extreme barbarity of the Hamas massacre, existing sanctions and indictments against the group's leaders, operatives, charities and companies should be vigorously enforced.

*7. Apply secondary sanctions to all U.S. designated Foreign Terrorist Organizations (FTOs)*

The Hezbollah International Financing Prevention Act (HIFPA) applied secondary sanctions to those who knowingly engage in business or financial transactions with U.S. designated Hezbollah entities. It is long past time to apply such authorities to all FTOs, including Hamas. In the event sanctions diplomacy falls short, as it has in the cases noted above, the prospect of being targeted with secondary sanctions can prove an effective tool both as leverage in said diplomacy or as a counter-terror finance tool to further enforce sanctions against FTOs.

**PREPARED STATEMENT OF DANIELLE PLETKA**

DISTINGUISHED SENIOR FELLOW IN FOREIGN AND DEFENSE POLICY STUDIES, AEI

OCTOBER 26, 2023

Mr. Chairman, Senator Scott, thank you for including me in today's hearing. I'm especially glad to be testifying with two outstanding witnesses.

We are here today to talk about terrorist financing in the wake of the most serious assault on the Jewish people since the Holocaust. For many of us, the horror of the brutality of Hamas was compounded by the one of the most dreadful displays of public antisemitism since, well, the Holocaust. Hatred of Jews is perhaps the last remaining widely tolerated "ism," and it has reminded many of us of the reason Israel must exist as a homeland and a safe haven for the Jewish people.

In the important discussions in Congress about how to stem the tide of cash to terrorist groups, Hamas among them, much attention has been given to the \$6 billion in cash the Biden administration transferred to Qatar from accounts in South Korea for Iran's use in September. That \$6 billion was advertised as payment for the release of five hostages, but widely understood to be the consideration paid for an "understanding" between the Biden administration and the Iranian regime about its conduct over the coming months, including a pause on attacks on Americans and a slowdown in Tehran's accumulation of highly enriched uranium. All carefully constructed, of course, to evade the congressional review requirements of the Iran Nuclear Agreement Review Act of 2015.

An additional \$10 billion sitting in Oman for the same purpose—Iran—was also transferred from Iraq.

A few things: If this \$6 billion was our only problem with Iran, I would thank our lucky stars. This is the tip of the iceberg. But let's start with the \$6 billion. The Biden administration, which came in for substantial criticism for allowing Iran access to this money, has said it will not allow it to be used right now. As Brett McGurk, the White House Coordinator for the Middle East and North Africa, explained, the system for disbursement will work something like a joint signature on a checking account, that should be the end of the story. However, Qatar has contradicted our Government.

Should Qatar, a topic I will return to later in this testimony, defy the wishes of the U.S. Government and proceed with a disbursement to Iran, you have options. First, it is important for Congress to ascertain whether the Government of Qatar has agreed to make Iran whole while it withholds the \$6 billion from South Korea. In that scenario, Qatar could simply hand over its own cash to Tehran and pay itself back later from the South Korean funds once the pressure is off. We don't know if that's the case, but Iran's pro-forma protestations don't sound like those of a Government that's just been deprived of \$6 billion.

Second, if Qatar is actually disbursing the cash from South Korea, focus on the bank. If it chooses to become a financier to the Islamic Republic of Iran, the U.S. Government can choose to designate that bank as a primary money laundering concern. Should that not deter the Qataris, a designation of that country as a State sponsor of terrorism is an option. Both are Executive actions, but Congress can force a decision with legislation. But I'm getting ahead of myself.

Let's move on from the \$6 billion for now. Since 2021, "the estimated value of Tehran's additional oil sales—the difference between its realized revenue and what it would have earned had its exports remained at the maximum pressure period's average level—was \$26.3 to \$29.5 billion dollars," per research by the Foundation for Defense of Democracy. From 2019 through the end of 2020, Iranian oil exports averaged .775 mbpd. In 2021, per the same report, they rose to an average of 1.14 mbpd, and this year jumped to an average of 1.38 mbpd. Iran's total revenue from oil exports since 2021 is between \$81 and \$90.7 billion. Iranian foreign exchange reserves have doubled, growing from \$12.4 billion in 2020 to \$21.1 billion in 2023. Oil and oil-related exports are Iran's primary money earner; numbers 2 and 3 are iron and steel and edible fruits and nuts. So, it's the oil that is at the heart of the Islamic Republic's finances.

How did that happen? Simple. The U.S. Government allowed it to happen. To review the bidding, in 2016, Iranian oil exports were 2 mbpd. In 2018, they hit 2.8 mbpd. After President Trump pulled the plug on the JCPOA, they dropped to somewhere between half-a-million and three-quarters-of-a-million mbpd. Many, myself included, were skeptical of Trump's ability to stuff the genie back into the bottle after the wave of JCPOA sanctions waivers opened the spigots to Iran. But sure enough, he did just that.

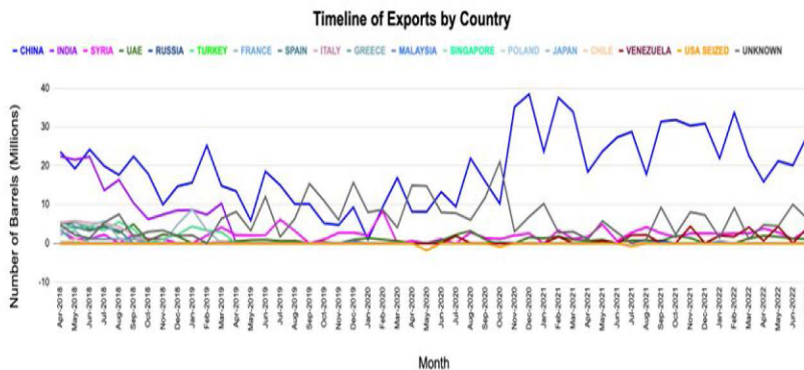
The simple reason the Trump administration was able to execute this miracle was the President's complete and utter indifference to conventional wisdom, his willing-

ness to link trade to sanctions violations, and a keen sense that if forced to weigh America and Iran in the balance, even difficult players like the Chinese would make the right choice. They did.

That all ended the month Joe Biden came to office. Why? One thing: Enforcement. It was no secret that the President hoped to reenter the JCPOA; his lead Iran negotiator took such an expansive approach to propitiating Iran that his deputy and other staff chose to resign in disgust. So, Iran began to make money again. The issue was not the lack of sanctions on the books or necessary authorities. Simply, the White House, or more accurately, Treasury stopped imposing sanctions.

“In the first 6 months of the Biden administration,” United Against a Nuclear Iran’s research shows, “no new sanctions were introduced on Iran’s oil sector. Finally, in August 2021, amid an extended break in the nuclear negotiations, the U.S. Treasury Department imposed new sanctions on an Omani businessman and companies linked to him, alleging that he was involved in an oil-smuggling network whose proceeds benefited the Islamic Revolutionary Guard Corps (IRGC)’s Quds Force. However, in the next 9 months, the Biden administration largely failed to levy new sanctions to stanch the flow of oil revenue.”

Who was buying the oil? Businesses in the People’s Republic of China, among others. So as China escalated threats against the U.S. and Taiwan in the Pacific, sanctions against Chinese companies for buying Iranian oil dropped off. The UANI chart below makes clear who Iran’s buyers are.



By the way, that’s not the only sanctions break we see. According to the Wilson Center, “between 1995 and 2022, five Administrations—Clinton, Bush, Obama, Trump, and Biden—sanctioned 11 Iranian proxy groups in five countries. They also sanctioned 89 leaders from 13 groups supported by Tehran.” Per the same report, the Trump administration imposed 40 percent of those sanctions—7 groups and 32 leaders tied to Iran. “The Biden administration removed designation from one group (Ansar Allah) and sanctioned three leaders.”

The cost to Iran of supporting these proxies isn’t cheap. In 2016, Hezbollah Secretary General Hassan Nasrallah credited Iran for “Hezbollah’s budget, everything it eats and drinks, its weapons and rockets, comes from the Islamic Republic of Iran.” In 2018, the Treasury Department pegged Iranian aid to Hezbollah at more than \$700 million per annum. Hamas reportedly costs Iran about \$100 million a year, though new reports estimate it could be up to \$350 million a year. Palestinian Islamic Jihad (whose failed rocket inflicted the casualties at the al Ahli hospital) receives in the tens of millions as well.

To give you a sense of what happens when Iran has less money at its disposal, during the height of the so-called maximum pressure campaign, transfers to Iran’s terrorist proxies dropped dramatically, with Hezbollahis complaining to the *Washington Post* about furloughs, cut salaries, and necessary withdrawal from Syria where they had been fighting to support Bashar al Assad. Hezbollah was so strapped for money, it doubled down on organ trafficking, reportedly an important source of cash. In short, evidence suggests that when Iran doesn’t have money, terrorists don’t have money. That doesn’t shut down terrorist operations, but it curtails them dramatically.

Terrorist groups do have other sources of income. Hamas in particular earns substantial amounts from corruption, with almost every import into Gaza subject to “taxes” that go into Hamas leaders’ pockets. Indeed, while the U.N. bemoans the plight of Gaza residents—and rightly so—we should note that senior Hamas officials in both Gaza and Qatar, where the Hamas leader resides, have gotten very, very rich. Numerous reports cite Doha-based Hamas leader Ismail Haniyeh’s net worth at \$4 billion. His predecessor Khaled Meshaal is said to be \$2.6 billion, with money in Qatar and Egypt. And there are others in Hamas worth billions.

Another source of money for terrorist groups is the illegal captagon trade. You’ll remember that some of the Hamas killers were found with the drug in their pockets. Hezbollah apparently makes millions from the illicit trade in the drug, in partnership with the Syrian Assad dictatorship.

And then there’s Qatar. There has been an unholy understanding between Israel and Qatar for some time: While Israel maintained its embargo of Gaza, carefully filtering employees and imports across the Israel-managed crossings, Qatar has been allowed to act as a pressure valve, funneling cash into Gaza to allow Hamas to buy peace with occasional distributions of energy and basic goods. But Israel’s dealings with Qatar are not a get out of a jail card from U.S. congressional scrutiny.

Indeed, I would ask you, what role does Qatar play in the Middle East? It enjoys positioning itself as an entrepot—just a middle man with no favorites. That’s garbage. Qatar’s favorites are the Islamist extremists it promotes with its pet television channel, Al Jazeera. Who lives or has lived in Qatar? The Taliban. al Qaeda. The Hamas leadership. ISIS leaders. All of them, cheek by jowl with one of America’s major airbases in the region, Al Udeid. Now should be the moment Congress begins to scrutinize Qatar.

So, what else should Congress do?

1. Understand how U.S. assistance to both the West Bank and Gaza is enabling the perpetuation of both Hamas and Fatah rule.
2. Understand how UNRWA, the recipient of almost \$6 billion in U.S. support since 1950, has aided, nurtured and supported Hamas in Gaza.
3. Understand why it is that Lebanon, a country ruled by Hezbollah, a beachhead of anti-Israel attacks at its northern border, has been able to skate without a State sponsor designation.
4. And most importantly, shut down the loopholes in sanctions enforcement that, since 2021, have been permitted to facilitate Iran’s accumulation of cash that funds and arms and trains Hamas, Palestinian Islamic Jihad and Hezbollah, among so many others.
  - a. Specifically, use the language in existing legislation like INKSNA to require the Executive branch to notify you of every instance in which it has credible information that there has been a sanctions violation, and justify to you its inaction any time it does not impose sanctions in response to that information.
  - b. Use the language of CAATSA to require every waiver of sanctions to be notified to Congress with 30 days’ notice, and expedited procedures for an up or down vote in both chambers on whether to disapprove that waiver.

You may ask me why I do not insist on stopping that \$6 billion. There’s no need; simply outline the consequences to Qatar. Go after the big money funneled to the terrorists by Iran. That is what fuels the savagery of October 7.

#### **PREPARED STATEMENT OF SHLOMIT WAGMAN**

AFFILIATED SCHOLAR AND FORMER CHAIR, HARVARD KENNEDY SCHOOL, ISRAEL  
MONEY LAUNDERING AND TERROR FINANCING PROHIBITION AUTHORITY

OCTOBER 26, 2023

I am honored to present my expert opinion before the distinguished Committee regarding the combat against networks of illicit finance and terrorism.

As one of the experts who participated in the design of the international regulatory approach to virtual assets, as well as gained practical experience while leading numerous financial investigations of money laundering and terrorism financing, I am honored to share with you several insights and offer actionable proposals both domestically (in the U.S. and elsewhere) and globally (through multilateral efforts, such as within the framework of the FATF).

I’ve served as the Chair of the Israeli Money Laundering and Terrorism Financing Prohibition Authority and was also the Cochair of the Financial Action Task Force’s

(FATF) Risk, Typologies and Methods Working Group. While serving in these capacities, I managed dozens of terrorism financing investigations and shaped global and national policy in the field. In addition, I led the Israeli accession to the FATF following a thorough evaluation process in which Israel achieved a (rare) High Effectiveness rating regarding the use of financial intelligence, terrorism financing investigations and confiscation. Currently, I am an affiliated scholar with the Mossavar-Rahmani Center for Business and Government and the GETTING-Plurality Network at the Harvard Kennedy School and the Berkman-Klein Center at the Harvard Law School. I am also a senior executive at Rapyd, a global payment company.

The opinions presented in this testimony are my own and should not be attributed to any of the institutions with which I am affiliated with.

#### **A. Background**

Quite simply, funding is essential for the operations of terrorist organizations. Conversely, the disruption of funding channels used by terror organizations plays a pivotal role in countering (and even abolishing) their activity.

Looking specifically at Hamas and Hezbollah—both function like any other terror organizations. For example, the horrifying terror attacks of October 7th demonstrated the extent to which Hamas adopted the ISIS playbook: Hamas slaughtered innocent civilians in a brutal and well-organized attack.

This extensive operation, in which thousands of terror activists took part, required substantial funding for vehicles, weapons, drones, tracks, explosives, tunnels, logistic support, and more. In addition, substantial funding is likely required by Hamas to finance its continued holding of the 200+ hostages (from 33 countries) kidnapped from their homes and taken to Gaza.

My goal in today's testimony is to review the funding channels used by illicit and terror organizations and—as per your request—focus specifically on the use of cryptocurrencies, which most likely funded (both directly and indirectly) Hamas' activities.

This testimony document outlines the following:

- Surveys the main legal framework and regulatory requirements found in the domain of anti-money laundering and counter-terror financing (AML/CFT) with respect to terrorism financing.
- Discusses current terror financing trends. In light of the October 7th attacks, and at the request of the Honorable Committee, this discussion focuses on Hamas current terrorism financing trends, existing legal frameworks, and gaps and challenges in the specific context of virtual assets.
- Proposed actions that can be taken in the domestic sphere (such as by the U.S. and other countries) and in the international sphere to strengthen the existing legal framework and target the very gaps in this framework that are exploited by terror organizations like Hamas and Hezbollah.

#### **B. Legal Framework Background—The Global Combat Against Terrorism Financing**

After the 9/11 attacks, a global unified framework was designed to combat terror financing using the same toolbox previously developed to combat money laundering. This toolbox included the imposition of administrative obligations on the private sector (such as monitoring customer activity and reporting suspicious transactions to designated intelligence and law enforcement authorities) and requiring sovereign countries to establish financial investigation, enforcement and punitive capabilities, including confiscation of funds.

This global response was designed by the Financial Action Task Force (FATF), the international watchdog in the field. Today, the FATF is composed of 39 member countries (including most of the G20 countries) and regional organizations, and together with its nine associated FATF-Style Regional Bodies (FSRBs), it encompasses over 200 jurisdictions.

The FATF has defined global mandatory standards in the domain of Anti-Money Laundering and Counter Financing of Terrorism (AML/CTF) that all jurisdictions must implement into their national legal systems and ensure their effective enforcement. The FATF and FSRBs conduct ongoing monitoring to review and evaluate the level of compliance of countries with these standards, when noncompliant jurisdictions may be listed on the infamous gray or blacklist. These lists are powerful signaling tools that put severe pressure on the listed jurisdictions to quickly meet FATF standards, as the listed jurisdictions are marked as high-risk territories for AML/CFT purposes, limiting their respective financial sectors' ability to participate in the global market. A place on the blacklist practically limits financial activities

dramatically between the financial institutions in the blacklisted country and other jurisdictions.

*The Global AM/CFT Approach to Virtual Assets*

Cryptocurrencies pose substantial challenges to national security and the integrity of financial systems. Certain unique characteristics make them appealing for conducting illegal activities: (1) they are decentralized, unsupervised by any Government or central bank, and therefore, like cash, preserve a high degree of anonymity; (2) they are virtual and therefore generally unbounded by geographical borders; and (3) they do not require transactions be conducted in-person. At the same time, they are also reflecting financial innovation, with the potential to initiate a revolution in the way society transfers value, facilitate international commerce and cross-border financial activities, decrease transaction costs and barriers, and enhance financial inclusion.

The FATF was the first international organization to develop a holistic strategic response to cryptocurrency risks. In 2018, the FATF amended its mandatory standards to explicitly apply cryptocurrency to its rules, and subsequent updates and clarifications. The FATF's regulatory approach to cryptocurrency is similar to the approach it has taken to regulating traditional financial activities. The FATF requires countries to impose the full AML/CFT framework, albeit with relevant modifications pertinent to cryptocurrencies' unique technological characteristics.<sup>1</sup>

As it has done when regulating other financial activities, the FATF identified virtual asset platforms capable of monitoring the financial activities conducted through their systems, termed "Virtual Assets Service Providers" (VASPs). This term was defined broadly to capture all relevant services, including virtual currency exchanges and certain types of wallet providers.

All jurisdictions must establish licensing or registration requirements for VASPs. At a minimum, VASPs must be licensed where they were legally created. Some jurisdictions may also require licensing or registration as a condition for conducting business. VASPs should be subject to the full range of preventative measures and AML/CFT obligations, similar to other financial intermediaries. These obligations include, among others, the requirements of conducting customer due diligence and ongoing monitoring, recordkeeping, submitting of suspicious transaction reports (STR) to the designated Financial Intelligence Unit (FIU), and screening customers and transactions against designation lists. In order to conduct the needed examinations as part of the consumer due diligence and licensing process, the FATF recommends using relevant tools and resources, such as blockchain analytic tools. Given the cross-border nature of VASPs' activities, the FATF is required to impose additional preventive measures, for example conduct Customer Due Diligence for every transaction above 1,000 dollars/euros.

In addition, the FATF adopted a "Travel Rule" requirement for VASPs. The Travel Rule, a modification to its approach regarding wire transfers, requires VASPs to obtain, hold, and transmit required originator and beneficiary information, immediately and securely, when conducting VA transfers. These are the same obligations traditional financial intermediaries are required to undertake when they transmit transaction information via SWIFT (in a way which is compatible with data protection and privacy laws).

*Investigative Aspects of Virtual Assets*

Aside from the risks associated with virtual assets, their digital environment actually provides unique opportunities for law enforcement agencies (LEAs) to conduct financial investigations. Analysis of public blockchain ledgers allows both the private sector (VASPs and other financial institutions) and LEAs to trace financial activities over the public blockchain and identify connections to suspicious transactions and illegal activities even if the cryptocurrency holder is represented only by a wallet number. The public ledgers allow analyzing and tracing a long history of transactions, thereby identifying whether the funds were involved in a known illicit activity, commingled with illegal funds, processed by an unregulated VASP, or were suspiciously treated (e.g., they were treated with an anonymity-enhancing mixer). In addition, because the data is available in digital format, analysts can apply sophisticated techniques to process and analyze it. At the same time, it is im-

<sup>1</sup>To ensure that the regulations are as effective as possible, and to avoid circumvention of its global Recommendations, the FATF defined cryptocurrency assets broadly. FATF chose the term "Virtual Assets" (VA) rather than "cryptocurrency" or "digital asset" to refer broadly to any "digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes." The definition does not include the digital representation of fiat currencies.

portant to note that blockchain analytics is not a silver bullet. Private ledger cryptocurrencies, such as Monero, provide very limited public information.

When VASPs collect data pursuant to their AML/CFT obligations, the data can provide the linkage between pseudonymous wallets and identifiable entities, especially when virtual asset holders cash in/out from/to fiat currency. The information collected by VASPs as part of their customer due diligence obligations includes a vast repository of revealing data, including Government-issued identification (which is often crossed with biometric data), geographical location, IP addresses, statements regarding the source of funds, beneficial owners, and VASP-identified concerns based on the consumer or transaction's nature. This information can be obtained by LEAs as a result of spontaneous reporting by VASPs to the relevant FIU, or following a request by an LEA (either a request for additional information by the FIU or a court-issued warrant). When the financial intelligence held by LEAs is combined with other relevant intelligence (such as open-source intelligence (OSINT)), signals intelligence (SIGINT), and human intelligence (HUMINT), it empowers LEAs to trace suspicious financial activities and unmask the lawbreakers.

#### *Implementation of the FATF Standards by Countries—Statues and Gaps*

So far, only a limited number of countries have implemented this framework.

As of June 2023,<sup>2</sup> 4 years after the FATF's adoption of standards on VAs and VASPs, 75 percent of the countries that went through their routine reviewing process have not implemented the framework in full. In addition, one-third of the countries have not conducted a risk assessment, and a similar number have not yet decided if and how to regulate the VASP sector.

Moreover, more than half of the countries have not taken any steps towards Travel Rule implementation.

It should be highlighted that this situation has a major cost. Platforms that are not subject to the full extent of FATF standards are becoming crypto mixers, as it is almost impossible to track the illicit assets inserted or transferred via the platform. This continues to make the use of VASPs attractive to terrorist organizations.

### **C. Current Trends in Hamas Terror Financing**

#### *Hamas—General Sources of Funding*

Hamas is designated as a terror organization by the U.S., EU, U.K., Australia, Canada, Israel, and other countries. Unlike ISIS, it has not yet been designated by the U.N. as a global terror organization, hence the financial sanctions toolbox is somewhat limited, as described below.

Hamas' funding resources include the following main channels:

- State funding, which is transmitted mainly by cash, cross-border payments, Hawala, trade-based terrorism financing, money exchanges and banks.
- Business portfolios, including real estate and investments.
- Fundraising, including through social media platforms and crowdfunding campaigns in which money is transmitted via bank accounts, payment services and crypto exchanges.
- Humanitarian aid, which is misappropriated to and stolen for its own activity.

#### *Hamas' Use of Virtual Assets*

Hamas was an early adopter of virtual assets, using them to circumvent global supervision on money transfers and to raise funds. In recent years, tens of millions of dollars in virtual assets were identified as being linked to Hamas, however, only a small portion of these funds were successfully confiscated, as detailed below.

Starting in 2019, Hamas has been fundraising in cryptocurrency. Initially, Hamas received a relatively small donation of several thousands of dollars in Bitcoin. It used regular cryptocurrency wallets, later moving to noncustodial wallets, and then in 2021 adopted more advanced techniques, generating a unique address for each new donation.

In the summer of 2021, after a conflict with Israel, Hamas solicited increasing sums in Bitcoin. By July 2021, following Israel's designation of Hamas crypto wallets, more than \$7.3 million worth of virtual assets were seized. The designation included over 20 different types of virtual assets, including Bitcoin, Ether, Tether, TRON, Cardano, XPR, Dogecoin, and more.

In April 2023, following a further series of Israeli asset freezing orders and seizure of many accounts, Hamas announced to its supporters that it would stop receiving fundraising via the crypto currency Bitcoin, citing an increase in "hostile"

<sup>2</sup> <https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/June2023-Targeted-Update-VA-VASP.pdf?coredownload.inline.pdf>



activity against donors and that “this comes out of concern about the safety of donors and to spare them any harm.”<sup>3</sup> Such a statement demonstrates that the FATF approach of signaling to the market of “blacklisted” crypto, was proven to be efficient.

On October 10th, 2023, after the recent terror attacks, Israel police froze the cryptocurrency accounts that Hamas was using to solicit donations on social media to support it during the war.<sup>4</sup>

It is important to note that after each designation of a Hamas wallet became public, many VASPs, regulated and nonregulated, identified connections to the designated wallets and shared additional information with the Israeli authorities. Some sources communicated the information directly to Israel, to the National Bureau for Counter Terror Financing (NBCTF), while others informed the relevant LEAs in their respective jurisdictions or disseminated suspicious transaction reports to their own FIU, which in turn cooperated with the Israeli FIU and other relevant LEAs. The valuable information provided by VASPs around the globe included significant data they gathered by following their AML/CFT obligations, as well as through open-source information and blockchain analytics, and greatly assisted in tracing relevant wallets and seizing related funds.

Additionally, blockchain analytics companies conducted independent research regarding the designated wallets, revealing connections to additional wallets associated with the designation and with previous terror financing investigations. Most findings became public when the companies published their investigations, which assisted in revealing new links to relevant suspected terrorism financing activities.

#### *Hamas Fundraising Via e-Commerce and Technology Platforms*

According to open-source intelligence, Hamas collects funds using social media and commercial platforms. They direct supporters to purchase certain goods and services via e-commerce platforms, centralized and others that connect buyers and sellers. No real goods change hands and the money is funneled to Hamas. They are relying on the relatively low onboarding KYC examination performed by those platforms, which are mainly lacking the context of the overall transaction.

#### *Humanitarian Fundraising Campings*

Hamas is known to lead a variety of fundraising campaigns on social media that seem to be legitimate humanitarian campaigns, and linked to charity organizations, making it difficult to trace by the intelligence community, the private sector and donors.

After being published on social media, mainly via Telegram, the donations are being collected in bank transfers, payment transactions, and crypto.

#### *Hamas Use of Trade-Based Terrorism Financing*

Another typology which is constantly identified as being used by Hamas is “trade-based” financing, which is very similar to the “trade-based” money laundering typologies.<sup>5</sup>

The typical use case would be State-sponsored funding which is sent, either in cash or Hawalla, to another country. Hamas is purchasing goods, and shipping them to Gaza. The products imported to Gaza are being sold and the cash proceeds are being collected by Hamas in Gaza. Many cases were inspected in which Hamas was using trade and commerce of physical goods to transfer value to Gaze, including toys and chocolate.<sup>6</sup>

### **D. Proposed Action Items Going Forward**

My testimony above surveyed the global AML/CTF legal framework and the current trends in terror financing by Hamas (including the methods in which Hamas funds its own activities and, likely, the October 7 attacks). In this chapter, I propose several practical operative actions that can be taken, both by the international legal community and the U.S., to further strengthen the international community’s ability to disrupt terror financing channels and—ultimately—the financial ability for terror organizations to carry out their activities.

<sup>3</sup> [www.reuters.com/world/middle-east/hamas-armed-wing-announces-suspension-bitcoin-fund-raising-2023-04-28/](https://www.reuters.com/world/middle-east/hamas-armed-wing-announces-suspension-bitcoin-fund-raising-2023-04-28/)

<sup>4</sup> [www.reuters.com/technology/israel-freezes-crypto-accounts-seeking-hamas-donations-police-say-2023-10-10/](https://www.reuters.com/technology/israel-freezes-crypto-accounts-seeking-hamas-donations-police-say-2023-10-10/)

<sup>5</sup> FATF report: <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Trade-Based-Money-Laundering-Trends-and-Developments.pdf.coredownload.inline.pdf>

<sup>6</sup> IMPA report (in Hebrew): <https://www.gov.il/BlobFolder/dynamiccollectorresultitem/red-flags-typology-terror-financing-impa-080822/he/professional-docs-red-flags-typology-terror-financing-impa-080822.pdf> at p.9.

A. *Strengthening the Global AML/CTF Regime for Virtual Assets*

- *The issue:* Many countries have yet to implement the FATF’s regulatory framework regarding virtual assets and, particularly, the Travel Rule and inspections on licensed exchanges. This regulatory arbitrage creates a major loophole in the global regulatory regime by allowing for “weakest link” jurisdictions. The result is that illicit and terror organizations “forum shop” and exploit exchanges based in jurisdictions with weak oversight. In addition, no global response is available in real time to such illicit activity and there is no united coalition to promote a response.
- *Proposed measures—global level:* The following measures are proposed to help strengthen the existing regime and support better implementation and enforcement in jurisdictions with weak oversight:
  - The FATF must take an aggressive approach to enforcing its global AML/CTF framework and work towards closing the global regulatory arbitrages which create the “weakest links.” This includes:
    - (i) creating a public “gray list” of countries that have not yet adopted and implemented virtual asset-related controls, such as the “Travel Rule,”
    - (ii) ensure that countries are effectively supervising their licensed VASPs and imposing dissuasive sanctions for noncompliance, and
    - (ii) imposing its customary sanctions regarding noncompliance on such countries (for example, recommending that member States impose advanced due diligence standards and suspicious activity reporting requirements on financial institutions engaged in virtual asset transactions with gray-listed countries).
  - The FATF should further recommend additional measures to regulate Peer-to-Peer, De-Fi and smart contracts.
- *Proposed measures—domestic level:* In the absence of appropriate response by the regulating county in which an exchange is licensed, or in case of a nonregulated exchange, it is proposed that countries will consider designating the exchange itself, to avoid its use as a “mixer” to launder the funds.

B. *Real-Time Collaboration and Information Sharing re Virtual Assets*

- *Issue #1:* Due to the rapid and cross-border nature of payment services and virtual asset transactions, there is a need for 24/7 international collaboration between intelligence and law enforcement authorities to identify, freeze and disrupt the flow of funds.
- *Proposed measure:* Establish mechanisms for collaboration between intelligence and law enforcement authorities, similar to the case of ransomware and other social engineering fraud.
- *Issue #2:* Public authorities require a more effective channel with the private sector, as most of the data relevant to crypto-related investigations is publicly available (over blockchain) and can be analyzed by the community.
- *Proposed measures:* Law enforcement agencies (LEAs) should establish channels for rapid information sharing with the private sector and, in particular, with financial institutions, “RegTech” companies, and blockchain analytics experts, about the up-to-date trends used by designated terror organizations. In this regard, Financial Intelligence Units (FIUs), who receive financial intelligence from the private sector, should actively share with the private sector the red flags, typologies, relevant keywords and even “name codes” which are indicative of illegal donations that are channeled to terror activity. The information sharing does not have to be public, but can be done with entrusted RegTech companies.
- FIUs should also publish lists of bank accounts, payment accounts and crypto wallet details which they have identified on social media or otherwise, block them and alert the entire financial system, on an ongoing and consistent basis.
- To make screening more effective for financial institutions, FIUs should make lists accessible in different formats and languages, with as many identifying data points as possible so that private sector organizations can effectively screen, regardless of their size or ability to dedicate resources to compliance.

C. *“Sanctions” Designations*

- *Issue:* Hamas is currently designated by the U.S., EU and other countries, but not by the U.N. Therefore, it is not necessarily screened in all countries and in relation to different currencies.
- *Proposed measures:*

- A proposal for the U.N. Security Council should be submitted to designate Hamas as a terror organization, as was the case with ISIS. Such action will ensure that Hamas' financial activities will be screened and frozen by all financial systems, in a unified and automatic manner, across all countries, even in those institutions that are physically removed from the conflict zone or may have limited awareness of the nature and type of the terror financing typologies (as is common), or may be operating with different currencies.
- Countries that have already domestically designated Hamas, such as the U.S., EU, and others, should instruct their enforcement agencies to focus on enforcement relating to this specific designation and consider adding additional measures as a policy matter. The U.S. designation of a group of Hamas leaders made on October 18th is a positive, if belated, step. More actions of a similar nature are required.
- Additional designations should be considered as well, for example, charity organizations that were designated by Israel based on relevant intelligence that connect them to the terror activities.

#### *D. Improving Financial Investigations Capabilities—Domestically*

- *Issue:* FinCEN currently does not have authority to ask for additional complementary information from financial institutions or to freeze funds related to terrorism financing, which are crucial operative capabilities needed to disrupt terrorism.
- *Proposed measures:* The following measures are proposed to help strengthen FinCEN's ability to effectively collect financial intelligence information from financial institutions and to take swift (if temporary) action to disrupt terror financing:
  - FinCEN should be granted with the legal authority to compel all financial institutions to provide additional supplementary information (as opposed to requesting such institutions to do so voluntarily, which is the current situation). This is especially important in the domain of virtual assets, where many different VASPs and other financial institutions are involved.
  - In addition, FinCEN should be granted the legal authority to order an administrative freeze on terror-financing related funds for specified limited periods of time (e.g., 24–72 hours). Similar mechanisms exist throughout EU member States, which enable local authorities to respond swiftly to fast-moving funds, which is normal in today's markets, and to disrupt terrorism financing efficiently.

#### *E. Risk Assessments of High-Risk Jurisdictions*

- *Issue:* Key stakeholders in the public and private sectors can serve as gatekeepers or a "first line of defense" against the exploitation of financial and monetary markets by terror organizations. To do this effectively, they need to understand the risks emanating from high-risk jurisdiction, identify their organizational appetite for risk; review their operations to identify exposure to terror financing risk; and adopt risk-management controlling measures.
- *Proposed measures:*
  - A clear, professional analysis of the risks emerging from high-risk countries (from the perspective of terror financing) should be made available to stakeholders in both the public and private sectors. This will help facilitate the "risk management" process described above, including establishing effective management of risk appetite, risk exposure and risk-management controlling measures by these stakeholders.
  - Ensuring that the FATF (and other parallel institutions) are working in a transparent and credible manner to undergo and swiftly publish their evaluations of countries that are at high-risk for terror financing.
  - In this regard, there is a need to mention the concerns that were raised over the past few years regarding the professional capability of the MENAFATF, which is the FSRB mostly relevant to jurisdictions exposed to high risks of terror-financing (such as Lebanon, the Palestinian Authority, and Syria). It is critical that evaluations of these countries are supported by appropriate and professional experts.
  - For example, Hezbollah is a major stakeholder in the Lebanese economy. Thus, it is critical that the ongoing MENAFATF review of Lebanon will include a clear and reliable review of its implication on Lebanon economy and its potential exploitation to TF risks and funnel economic resources to Hezbollah.

- In addition, the global financial community requires more clarity regarding the financial ecosystem of the Palestinian Authority and Gaze to allow it better manage TF risk. For a variety of reasons, the PA has not gone through an objective international assessment regarding their compliance with global AML/CTF standards as set by the FATF. Based on publicly available information, I estimate that the outcome of such an evaluation would have likely been unsatisfactory and would have led to the PA being placed on the FATF's "gray list." The result of such a listing is that countries which implement FATF-recommended controls would require their domestic financial institutions to impose enhanced measures in relation to transactions with the Palestinian Authority (for example, reporting transactions exceeding certain monetary thresholds). Moreover, a reliable evaluation could have assisted in mapping the compliance gaps in the Palestinian Authority's financial system and clarifying how sources of funds enter Gaza without supervision and get distributed through illicit channels to Hamas (a situation that is common to the provision of humanitarian aid to Gaza). Such an evaluation, if conducted by a credible and professional team, needs to be conducted without undue delay.

*F. Following additional funding channels and social media platforms*

- *Issue #1:* Hamas was recently inspected to expand its activities to commerce and technology platforms. This typology can be seen, for example, in temporary housing websites, etc. Those platforms have limited ability to identify and monitor risks, and additional discussion on this is required.
- *Proposed measures:* It is suggested to consider
- *Issue #2:* Certain social media platforms, such as Telegram, are hosting a substantially large volume of terrorism financing solicitation.
- *Proposed measures:*
  - The EU's Digital Service Act enforces on large social media platforms certain liabilities, including to ensure the content is not infringing the safety of the public and does not call to illegal activities etc. This applies, among others, to Meta, TikTok and such. A reduced level of responsibilities and liabilities is imposed on "host" platforms, such as Telegram, to the content included there. A further discussion is needed on this topic, including references to explicit solicitation for terrorism financing.

**RESPONSES TO WRITTEN QUESTIONS OF SENATOR WARREN  
FROM MATTHEW LEVITT**

**Q.1.** On October 7, 2023, Hamas militants killed 1,400 people and took more than 200 hostages.<sup>1</sup> In the days following, reports emerged suggesting that crypto wallets linked to Hamas, Palestinian Islamic Jihad, and other terrorist organizations received tens of millions in crypto over the years and months preceding the October 7 attacks, and continue to use crypto to fundraise and transact.<sup>2</sup>

In an attempt to minimize the role that it is has played in the financing of terrorist organizations, including Hamas and Palestinian Islamic Jihad, crypto industry players are now working furiously to downplay reports that claiming that “[i]t is not known what proportion of the funds received by those wallets are directly attributable to PIJ or other terrorist groups.”

But the facts remain clear. As Elliptic, one of the blockchain analytics firms whose crypto terrorist financing findings were reported in the *Wall Street Journal* in early October,<sup>3</sup> stated in the release it issued to quell intense industry pressure, “[i]n July this year, the NBCTF [National Bureau for Counter Terror Financing of Israel] issued a seizure order for crypto wallets linked to Palestinian Islamic Jihad (PIJ), a terrorist organization active in the Gaza Strip. Elliptic analysis of the wallets seized by the NBCTF shows that these wallets received transactions totalling just over \$93 million between 2020 and 2023.”<sup>4</sup>

The industry group claims, “[i]t is likely that some of the wallets listed by the NBCTF belonged to small service providers such as brokers that were used by PIJ.”<sup>5</sup> The industry is using this possibility to minimize the role that crypto as played in the financing of PIJ, Hamas, and other terrorist groups.

Are “small service providers” that transmit funds to or from terrorist organizations immaterial to the financing of those terror groups?

Are “small service providers” that transmit funds to or from terrorist organizations responsible for their role in the financing of those terror groups? Should they be held responsible for that role?

On October 18, 2023, the U.S. Treasury Department (Treasury) imposed sanctions on one such service provider, a Gaza-based crypto exchange service “for having materially assisted, sponsored, or provided financial, material, or technological support for, or

<sup>1</sup> NPR, “New Details Emerge About the Hamas-Led Attackers Who Massacred Israelis”, Daniel Estrin, Aby Bakr Bashir, Samantha Balaban, Claire Harbage, October 27, 2023, <https://www.npr.org/2023/10/27/1208836319/israel-hamas-islamic-jihad-militants-videos-details>.

<sup>2</sup> *Wall Street Journal*, “Hamas Militants Behind Israel Attack Raised Millions in Crypto”, Angus Berwick and Ian Talley, October 10, 2023, <https://www.wsj.com/world/middle-east/militants-behind-israel-attack-raised-millions-in-crypto-b9134b7a>; *Financial Times*, “Israel Orders Freeze on Crypto Accounts in Bid To Block Funding for Hamas”, Scott Chipolina, October 17, 2023, [https://www.ft.com/content/e03a370b-777f-46c2-8576-d1cee731efe2?accessToken=](https://www.ft.com/content/e03a370b-777f-46c2-8576-d1cee731efe2?accessToken=;); CNN, “They’re Opportunistic and Adaptive’: How Hamas Is Using Cryptocurrency To Raise Funds”, Scott Glover, Curt Devine, Majlie de Puy Kamp, and Scitt Bronstein, October 12, 2023, <https://www.cnn.com/2023/10/12/us/hamas-funding-crypto-invs/index.html>.

<sup>3</sup> *The Wall Street Journal*, “Hamas Militants Behind Israel Attack Raised Millions in Crypto”, Angus Berwick and Ian Talley, October 10, 2023, <https://www.wsj.com/world/middle-east/militants-behind-israel-attack-raised-millions-in-crypto-b9134b7a>.

<sup>4</sup> Elliptic, “Setting the Record Straight on Crypto Crowdfunding by Hamas”, October 25, 2023, <https://www.elliptic.co/blog/setting-the-record-straight-on-crypto-crowdfunding-by-hamas>.

<sup>5</sup> Elliptic, “Setting the Record Straight on Crypto Crowdfunding by Hamas”, October 25, 2023, <https://www.elliptic.co/blog/setting-the-record-straight-on-crypto-crowdfunding-by-hamas>.

goods or services to or in support of, Hamas.”<sup>6</sup> According to the U.S. Treasury Department, that crypto exchange was involved in Hamas fundraising, and “has also been used to transfer funds by affiliates in other terrorist groups,” including an al Qaeda affiliate and individuals acting on behalf of the Islamic State of Iraq and Syria (ISIS).<sup>7</sup>

Do you believe that these Treasury actions were appropriate based on the role that this exchange may have played in providing material support to terrorists, even if we are not certain that all funds that passed through this exchange went directly to or in support of Hamas?

More broadly, do you believe that these service provider can materially assist, sponsor, or provide financial, material, or technological support for terrorist organizations even if terrorist organizations may only receive a small portion of the funds flowing through them?

**A.1.** I have met with Israeli officials on this subject, and they concur that while Hamas and PIJ both use cryptocurrencies to move funds, especially funds raised via crowd funding campaigns, crypto is not a major financing tool for either group compared with other means of raising and moving funds. Expect to see more actions targeting those entities that do provide crypto services for Hamas and PIJ, which is good, but this should not be made out to be more than it is. The *WSJ* report in question vastly overstated the amounts involved, according to Israeli officials with whom I have spoken.

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**RESPONSES TO WRITTEN QUESTIONS OF  
SENATOR CORTEZ MASTO FROM MATTHEW LEVITT**

**Q.1.** What have we learned from FinCEN’s enforcement efforts since 2020?

FinCEN has raised concerns with illicit finance of terrorism through crypto currencies. Do you agree with the current approach FinCEN is taking to preventing these types of finance from occurring?

**A.1.** I do agree with FinCEN’s approach. As discussed at the hearing, while Hamas does use crypto to send funds, mostly via crowd funding campaigns, it is far less of an issue that some of made it out to be (like the *WSJ* story). I recently held meetings with Israeli counterterrorism finance officials, and they confirm that crypto is used by Hamas but that it’s not a major aspect of the group’s financing, at least today.

**Q.2.** What more can Treasury do to better block Hamas from raising revenue across the Middle East?

UAE comes up a lot in Treasury designations (as an example) related to sanctions evasion regarding Russia and Iran. Why is this and what makes the UAE a seemingly desirable jurisdiction for money laundering and terrorist financing?

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<sup>6</sup>U.S. Department of the Treasury, “Following Terrorist Act on Israel, Treasury Sanctions Hamas Operatives and Financial Facilitators”, press release, October 18, 2023, <https://home.treasury.gov/news/press-releases/jy1816>.

<sup>7</sup>Id.

Are there meaningful measures the UAE can take to stop this facilitation through its financial system?

**A.2.** Treasury is working hard to block Hamas fundraising, including several recent designations and other actions, some done jointly for foreign partners. It is also active in a task force with foreign partners aimed to coordinate efforts to counter Hamas financing.

The UAE was placed on the FATF grey list in 2022 due to AML/CFT shortcomings, some of which remain. Enforcement remains spotty in the UAE, but the country has adopted in mutual evaluation report and the State Department reports it is making significant progress. The UAE is also a member of the U.S.-Saudi co-chaired Terrorist Financing Targeting Center (TFTC).

**Q.3.** How often does FinCEN update reporting forms like the SAR form? When can we expect this issue to be fixed?

**A.3.** I have no special insight into this issue.

**Q.4.** Social media compliance, and the programs those companies put in place, appears to be collapsing, with layoffs of many staff who covered this issue. Has there been an increase of terrorist groups and other illicit actors using social media platforms as a result?

Do Hamas and other designated terrorist groups leverage social media to raise money?

**A.4.** Hamas engages in crowd funding campaigns. The concern is that with the Hamas attack on Oct. 7 and the war that followed, these will pick up pace. According to Israeli authorities, this has already been the case. Much of this activity occurs on social media platforms.

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**RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS  
FROM MATTHEW LEVITT**

**Q.1.** As you know, cryptocurrencies operate on a global scale, making international cooperation crucial. Some jurisdictions have introduced regulations, but global implementation is relatively poor and compliance remains low. U.S. exchanges do AML/KYC checks and screen all potential customers for sanctions. However, according to the Financial Action Task Force—an international standard setting body—73 of the 98 jurisdictions assessed by the task force are either partially or noncompliant. Noncompliant exchanges are often the way bad actors can turn their digital currency into cash. What actions could Treasury or even Congress take to stymie the use of these noncompliant virtual asset service providers by bad actors?

**A.1.** I am not a crypto expert, so I defer here to my colleagues.

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**RESPONSES TO WRITTEN QUESTIONS OF  
SENATOR CORTEZ MASTO FROM DANIELLE PLETKA**

**Q.1.** What have we learned from FinCEN's enforcement efforts since 2020?

FinCEN has raised concerns with illicit finance of terrorism through crypto currencies. Do you agree with the current approach FinCEN is taking to preventing these types of finance from occurring?

**A.1.** Cryptocurrency is not my area of expertise.

**Q.2.** What more can Treasury do to better block Hamas from raising revenue across the Middle East?

UAE comes up a lot in Treasury designations (as an example) related to sanctions evasion regarding Russia and Iran. Why is this and what makes the UAE a seemingly desirable jurisdiction for money laundering and terrorist financing?

**A.2.** The issue for the United States is enforcement and sanctions. A vigilant enforcement regime will push the Emiratis to end their role as an entrepot for terrorist financing. Seizures and bank designations, removal of liaison relationships and other serious legal efforts will prove to them that the United States is serious. So far, that proof has not been forthcoming.

**Q.3.** Are there meaningful measures the UAE can take to stop this facilitation through its financial system?

**A.3.** This is easy for the Emiratis to, but requires will on their part to ensure they are not a middle ground for terror financing. Should it be useful, the Treasury Department could send a team to help scrub their system. My guess is that they will resist this.

**Q.4.** How often does FinCEN update reporting forms like the SAR form? When can we expect this issue to be fixed?

**A.4.** Not my area of expertise.

**Q.5.** Social media compliance, and the programs those companies put in place, appears to be collapsing, with layoffs of many staff who covered this issue. Has there been an increase of terrorist groups and other illicit actors using social media platforms as a result?

Do Hamas and other designated terrorist groups leverage social media to raise money?

**A.5.** Almost certainly yes, but this is an area the other witnesses can speak to more seriously.

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**RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS  
FROM DANIELLE PLETKA**

**Q.1.** As you know, cryptocurrencies operate on a global scale, making international cooperation crucial. Some jurisdictions have introduced regulations, but global implementation is relatively poor and compliance remains low. U.S. exchanges do AML/KYC checks and screen all potential customers for sanctions. However, according to the Financial Action Task Force—an international standard setting body—73 of the 98 jurisdictions assessed by the task force are either partially or noncompliant. Noncompliant exchanges are often the way bad actors can turn their digital currency into cash. What actions could Treasury or even Congress take to stymie the use of these noncompliant virtual asset service providers by bad actors?

**A.1.** Again, not my area, but the key is clarity in regulation/law, enforcement, sanctions. The reason for lack of compliance is because it is possible. We have seen that when the United States is serious (periods after 9/11, periods under the Trump administration), compliance improves. There is a clear link.



**RESPONSES TO WRITTEN QUESTIONS OF  
SENATOR CORTEZ MASTO FROM SHLOMIT WAGMAN**

**Q.1.** What have we learned from FinCEN's enforcement efforts since 2020?

FinCEN has raised concerns with illicit finance of terrorism through crypto currencies. Do you agree with the current approach FinCEN is taking to preventing these types of finance from occurring?

**A.1.** In recent years, the Financial Crimes Enforcement Network (FinCEN) has taken several significant steps to address the potential risks associated with virtual assets and to promote the implementation of the FATF standards on them. Among others, it clarified the regulations by issuing guidance on how existing AML/CFT rules apply to virtual currencies and businesses dealing with them (2018). It established reporting and record-keeping requirements for exchanges and administrators, and updated FinCEN's reporting forms and advisories, and improved its ability to track and analyze suspicious activity involving virtual assets, particularly in ransomware payments and terrorist financing.

Recently, on October 19, 2023, FinCEN published Notice of Proposed Rulemaking (NPRM) on Beneficial Ownership Information for Convertible Virtual Currency Transactions. This NPRM identifies international Convertible Virtual Currency Mixing (CVC mixing) as a class of transactions of primary money laundering concern. This NPRM highlights the risks posed by the extensive use of CVC mixing services by a variety of illicit actors throughout the world and proposes a rule to increase transparency around CVC mixing to combat its use by malicious actors including Hamas, Palestinian Islamic Jihad, and the Democratic People's Republic of Korea (DPRK).

FinCEN also took enforcement actions, including the civil enforcement actions against the cryptocurrency exchange BitMEX, and imposing a fine of \$100 million for violating AML/CFT regulations, including failing to implement a proper anti-money laundering program (2021); and against Hydra Market, a darknet marketplace that primarily used virtual currencies, for facilitating the sale of illegal goods and services (2023). These cases had a major impact on the markets, expressing FinCEN's mission in cracking illegal activities facilitated by virtual assets.

In addition, FinCEN urges countries to adopt the FATF framework into its domestic legislation, as part of its membership at the U.S. delegation to the Financial Action Task Force.

I do support finCEN's approach regarding virtual assets and believe they are crucial in order to reduce situations under which virtual assets may be used for terrorism financing.

At the same time, I do think that the U.S., as other countries, should urge the FATF to take more actions against countries who do not fully implement the FATF standards regarding virtual assets. In addition, I believe that the U.S. Treasury should consider publishing designations on particular VASPs, especially from non-compliant jurisdictions, in order to combat their activity, which has severe negative implications for the global economy.

**Q.2.** What more can Treasury do to better block Hamas from raising revenue across the Middle East?

UAE comes up a lot in Treasury designations (as an example) related to sanctions evasion regarding Russia and Iran. Why is this and what makes the UAE a seemingly desirable jurisdiction for money laundering and terrorist financing?

**A.2.** UAE's level of compliance with the global AML/CFT standards has been evaluated by the Financial Action Task Force (FATF). Based on its finding, the overall level of compliance was not satisfactory and met the FATF's criteria to be included under its gray list. Currently, the UAE is subject to a scrutiny review of its national efforts to strengthen the effectiveness of its AML/CFT framework, and it will be removed from the gray list only after the needed improvements will be fully implemented.

Given the systematic deficiencies identified by FATF, illicit stakeholders are also likely to take advantage of this situation and try hiding illicit activities in its financial system.

Based on publicly available information, it seems that Hamas is/was operating in the UAE and holds there certain assets. See, for example, the recent *NYTimes* report on Hamas' assets identified around the globe, which includes assets in the UAE.

**Q.3.** Are there meaningful measures the UAE can take to stop this facilitation through its financial system?

**A.3.** Yes. The UAE should continue strengthening the effectiveness of its AML/CFT framework and ensure efficient implementation of it, on a risk based approach. It should create intelligence collaboration with other agencies and act upon receiving data from its counterparts, including freezing assets related to suspected terror activities, initiate investigations, submit indictments and ensure it understands the risks and design tools to mitigate them. It should join a global task force and share information with it on a regular basis, in order to identify suspicious assets and freeze them.

**Q.4.** How often does FinCEN update reporting forms like the SAR form? When can we expect this issue to be fixed?

**A.4.** Unfortunately, I do not have data on this matter. I believe this question should be addressed to FinCEN.

**Q.5.** Social media compliance, and the programs those companies put in place, appears to be collapsing, with layoffs of many staff who covered this issue. Has there been an increase of terrorist groups and other illicit actors using social media platforms as a result?

Do Hamas and other designated terrorist groups leverage social media to raise money?

**A.5.** Yes, Hamas uses social media for fundraising campaigns. The most common platform is Telegram, which does not easily collaborate on removing such content. We have seen in the past months campaigns calling directly for donations to Hamas, and others that do not provide explicit indication, but seem to have some ties to Hamas. The later cases are usually being reported to LEAs. To the best of my knowledge, most other social media outlets, mainly those who are subject to the EU's Digital Services Act and have AML/CFT as well as violence free monitoring measures in place,

and they try removing such content upon notice or following their internal monitoring and review.

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**RESPONSES TO WRITTEN QUESTIONS OF SENATOR ROUNDS  
FROM SHLOMIT WAGMAN**

**Q.1.** As you know, cryptocurrencies operate on a global scale, making international cooperation crucial. Some jurisdictions have introduced regulations, but global implementation is relatively poor and compliance remains low. U.S. exchanges do AML/KYC checks and screen all potential customers for sanctions. However, according to the Financial Action Task Force—an international standard setting body—73 of the 98 jurisdictions assessed by the task force are either partially or noncompliant. Noncompliant exchanges are often the way bad actors can turn their digital currency into cash. What actions could Treasury or even Congress take to stymie the use of these noncompliant virtual asset service providers by bad actors?

**A.1.** Indeed, many countries have yet to implement the FATF's regulatory framework regarding virtual assets and, particularly, the Travel Rule and inspections on licensed exchanges. This regulatory arbitrage creates a major loophole in the global regulatory regime by allowing for "weakest link" jurisdictions. The result is that illicit and terror organizations "forum shop" and exploit exchanges based in jurisdictions with weak oversight. In addition, no global response is available in real time to such illicit activity and there is no united coalition to promote a response.

There are a couple of actions that may assist in strengthening the existing regime and support better implementation and enforcement in jurisdictions with weak oversight.

The U.S. should urge the FATF to take a more aggressive approach in order to enforce the global AML/CTF framework in all jurisdictions and work towards closing the global regulatory arbitrages which create the "weakest links."

This includes the following suggested actions:

1. Creating a public "gray list" of countries that have not yet adopted and implemented virtual asset-related controls, such as the "Travel Rule,"
2. Ensure that countries are effectively supervising their licensed VASPs and imposing dissuasive sanctions for non-compliance, and
3. Imposing its customary sanctions regarding noncompliance on such countries (for example, recommending that member States impose advanced due diligence standards and suspicious activity reporting requirements on financial institutions engaged in virtual asset transactions with gray-listed countries).
4. The U.S. and FATF should further recommend additional measures to regulate Peer-to-Peer, De-Fi, and smart contracts.

In addition, on the domestic level, given the absence of appropriate response by certain regulating counties in which an exchange are licensed, or in case of a nonregulated exchange, it is proposed that the U.S. will consider designating the exchange itself, to avoid its use as a "mixer" to launder the funds.

## ADDITIONAL MATERIAL SUPPLIED FOR THE RECORD

Congress of the United States  
Washington, DC 20510

October 26, 2023

Hon. Merrick Garland  
Attorney General of the United States  
United States Department of Justice  
950 Pennsylvania Avenue, N.W.  
Washington, D.C. 20530

Re: Illicit Finance Activities of Binance and Tether

Dear General Garland,

We write to you in light of shocking reports that unregulated, centralized crypto asset intermediaries based outside the United States have facilitated significant illicit finance activity over the last two years, including providing significant terrorism financing for Hamas' malevolent attack on Israel.

Based on this alarming information, and the horrifying, unjustified attack on Israel, we urge you and the Department of Justice to reach a charging decision on Binance that reflects their level of culpability and expeditiously conclude your investigations into the ongoing illicit activities involving Tether.

Crypto assets and distributed ledger technology have the potential to drive responsible innovation in U.S. financial markets, therefore we must be careful not to paint all crypto asset intermediaries as suspect when a small handful of bad actors use them for nefarious purposes. Many crypto asset intermediaries seek to comply with U.S. sanctions and money laundering laws, correctly viewing the regulations as necessary to unlock the promise of crypto assets and distributed ledger technology.

On October 10, 2023, the *Wall Street Journal* reported that Hamas, Palestinian Islamic Jihad and Hezbollah have received funding through crypto assets since August 2021,<sup>1</sup> though subsequent reports have highlighted that the level of funding reported in the article is likely not accurate.<sup>2</sup> However, we believe it is nonetheless imperative that the Department of Justice hold bad actors accountable if they are shown to facilitate illicit activity.

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<sup>1</sup> Angus Berwick and Ian Talley, *Hamas Militants Behind Israel Attack Raised Millions in Crypto*, WALL ST. J., Oct. 10, 2023, <https://www.wsj.com/world/middle-east/militants-behind-israel-attack-raised-millions-in-crypto-b9134b7a>.

<sup>2</sup> Chainalysis, *Correcting the Record: Inaccurate Methodologies for Estimating Cryptocurrency's Role in Terrorism Financing*, Oct. 18, 2023, <https://www.chainalysis.com/blog/cryptocurrency-terrorism-financing-accuracy-check/>. See also Elliptic, *Setting the Record Straight on Crypto Crowdfunding by Hamas*, Oct. 25, 2023, <https://www.elliptic.co/blog/setting-the-record-straight-on-crypto-crowdfunding-by-hamas>.

Binance, notably, is an unregulated crypto asset exchange based in the Seychelles and Cayman Islands. Binance has historically been linked to illicit activity and is purportedly the subject of a current Department of Justice investigation.<sup>3</sup> On October 16, 2023, the *Financial Times* reported that Israeli law enforcement authorities had ordered the closure of over 100 Binance accounts associated with Hamas since hostilities began on October 7, 2023.<sup>4</sup> This comes on the heels of an earlier report in May 2023 that Israeli law enforcement had seized over 190 Binance accounts linked to Islamic terrorism between 2021-23.<sup>5</sup>

The fact that Hamas and other terrorist groups have been permitted by Binance to open accounts and conduct business, even after public reporting about the issue, clearly shows that Binance could be providing material support to entities engaged in terrorism under Federal law, or being willfully blind to the fact that it may be doing so.<sup>6</sup> Binance is also knowingly facilitating violations of applicable sanctions laws<sup>7</sup> and the *Bank Secrecy Act*<sup>8</sup> by failing to carry out adequate customer due diligence and screenings when it is keenly aware the exchange is being used to finance terrorism. While some reports claim Binance is now cooperating with Israeli law enforcement,<sup>9</sup> this is immaterial to criminal culpability because Binance is only doing so after knowingly allowing its exchange to be used by terrorist organizations, and only after they have been caught.

Tether, a payment stablecoin issuer based in the British Virgin Islands and Hong Kong, is also of significant concern. The *Financial Times* reported on October 16, 2023, that, at the direction of Israeli law enforcement, Tether had recently frozen 32 addresses controlled by Hamas and Russian-linked entities in Israel and Ukraine.<sup>10</sup> It is well-known that Tether is knowingly facilitating violations of applicable sanctions laws<sup>11</sup> and the *Bank Secrecy Act*<sup>12</sup> by failing to conduct adequate customer due diligence and screenings despite being aware that its product is used to facilitate terrorism and other illicit activities. Tether has been previously fined by the Commodity Futures Trading Commission for false statements relating to the composition of its

<sup>3</sup> Angus Berwick, Dan Levine and Tom Wilson, *Exclusive: U.S. Justice Department Is Split Over Charging Binance*, Reuters, Dec. 12, 2022, <https://www.reuters.com/markets/us/us-justice-dept-is-split-over-charging-binance-crypto-world-falters-sources-2022-12-12/>.

<sup>4</sup> Scott Chipolina, *Israel Orders Freeze on Crypto Accounts in Bid to Block Funding for Hamas*, FINANCIAL TIMES, Oct. 16, 2023, <https://on.ft.com/3rOycps>.

<sup>5</sup> Tom Wilson and Angus Berwick, *Exclusive: Israel Seizes Binance Crypto Accounts to 'Thwart' Islamic State, Document Shows*, Reuters, May 4, 2023, <https://www.reuters.com/world/middle-east/israel-seized-binance-crypto-accounts-thwart-islamic-state-document-shows-2023-05-04/>.

<sup>6</sup> 18 U.S.C. § 2339A(b)(1).

<sup>7</sup> See, e.g., 50 U.S.C. § 1055.

<sup>8</sup> See, e.g., 31 U.S.C. § 5322.

<sup>9</sup> Camomile Shumba and Sandali Handagama, *Hamas-Linked Crypto Accounts Frozen by Israeli Police, With Binance's Help: Report*, CoinDesk, Oct. 10, 2023, <https://www.coindesk.com/policy/2023/10/10/hamas-linked-crypto-accounts-frozen-by-israeli-police-with-binance-help-report/>.

<sup>10</sup> Scott Chipolina, *Israel Orders Freeze on Crypto Accounts in Bid to Block Funding for Hamas*, FINANCIAL TIMES, Oct. 16, 2023, <https://on.ft.com/3rOycps>.

<sup>11</sup> See, e.g., 50 U.S.C. § 1055.

<sup>12</sup> 31 U.S.C. § 5322.

reserves<sup>13</sup> and its executives are also reportedly under investigation for bank fraud in relation to fraudulently accessing U.S. banking services.<sup>14</sup>

We urge the Department of Justice to carefully evaluate the extent to which Binance and Tether are providing material support and resources to support terrorism through violations of applicable sanctions laws and the *Bank Secrecy Act*. To that end, we strongly support swift action by the Department of Justice against Binance and Tether to choke off sources of funding to the terrorists currently targeting Israel.

Sincerely,



Senator Cynthia M. Lummis  
*Senate Banking Committee*



Representative French Hill  
*Chair, Subcommittee on Digital Assets  
House Financial Services Committee*

<sup>13</sup> Commodity Futures Trading Comm'n, *CFTC Orders Tether and Bitfinex to Pay Fines Totaling \$42.5 Million*, Oct. 15, 2021, <https://www.cftc.gov/PressRoom/PressReleases/8450-21>.

<sup>14</sup> Tom Schoenberg and Matt Robinson, *Tether Bank-Fraud Probe Gets Fresh Look by Justice Department*, Bloomberg, Oct. 31, 2022, <https://www.bloomberg.com/news/articles/2022-10-31/tether-bank-fraud-probe-gets-fresh-look-by-justice-department?leadSource=verify%20wall>.

**JUSTICE FOR 9/11**

**PREPARED STATEMENT ON TERRORIST FINANCING  
FOR THE UNITED STATES COMMITTEE ON BANKING, FINANCE, & URBAN AFFAIRS  
OCTOBER 25, 2023**

**"TERRORIST GROUPS MUST BE BANKRUPTED, NOT BANKROLLED"**

The recent deplorable actions undertaken by Hamas against Israeli citizens are triggering and horrifying to many 9/11 families who want to bankrupt terrorists and not see terrorist organizations like Hamas indirectly underwritten by diplomatic decisions made by Executive Branch officials.

We believe that all terrorists must be held accountable for their despicable and heinous acts that destabilize the world and cost innocent human lives.

We are enormously grateful that Congress is enacting legislation that calls for the maximizing of terrorist sanctions coupled with better oversight and reporting by the Department of Treasury with regard to the enforcement of sanctions against State Sponsors of Terrorism like the Republic of Iran who played a role in the murder of our 3,000 innocent loved ones on the morning of September 11, 2001.

Like all victims of terrorism, we want to know that terrorist coffers are run dry and not refueled with billions of dollars like the \$6 billion returned to Iran from S. Korea in order to release certain American prisoners who were being held captive in Iran.

Thankfully, Senator Scott's legislation sends a decisive message to terrorists that the United States of America will root out, disrupt, and destroy sources of terrorist funding at their core.

More than anything, victims of terrorism like the thousands of 9/11 families want to know that our government supports our path to justice, values and honors the horrific losses brought against our innocent families, and maximizes all tools available to make terrorists pay the price for their deadly actions.

**TRUTH    TRANSPARENCY    ACCOUNTABILITY    &    JUSTICE**  
**JUSTICE4911.COM@GMAIL.COM**



October 24, 2023

The Honorable Elizabeth Warren  
309 Hart Senate Office Building  
Washington, D.C. 20510

The Honorable Roger Marshall  
479A Russell Senate Office Building  
Washington, D.C. 20002

The Honorable Sean Casten  
2440 Rayburn House Office Building  
Washington, D.C. 20515

Dear Senator Warren, et al,

In your recent letter to the Department of the Treasury and the White House, you expressed concern at the role cryptocurrency supposedly played in helping Hamas raise funds and conduct financial transactions. While we all agree that the U.S. must work to monitor and curtail terrorist financing through all available means, your letter is based on heavily flawed reporting that grossly misrepresents Hamas' use of crypto. It is vital to American interests that cryptocurrency regulation is based on facts, not fear.

Your letter begins with the claim that "Hamas raised millions of dollars in crypto," estimating a sum in excess of \$100 million. The sole source for this statistic is a Wall Street Journal article which itself cites a report reliant on egregiously flawed blockchain analysis methods.

Indeed, this estimate assumes that *all* flows through exchanges or service providers which have ever facilitated Hamas-related transactions represent payments to Hamas. In other words, if an exchange processed \$2 billion worth of transactions and \$2,000 worth of those transactions were connected to Hamas, the accounting metric employed by your letter would assume that all \$2 billion worth of transactions were Hamas financing.

In a recent article, the world's leading blockchain surveillance firm Chainalysis estimated the true scale of transactions related to Hamas to be around 0.5% of the figures being widely reported – around \$450,000. In other words, the true amount of Hamas financing via crypto is likely in the hundreds of thousands of dollars, not in the hundreds of millions. Even if one were to accept these patently false estimates at face value, it is indisputable that Hamas receives the overwhelming majority of its funds via traditional fiat – not cryptocurrency.

Why does cryptocurrency make up such a small fraction of Hamas' funding? In part, because the usage of cryptocurrency actually makes the tasks of tracking payment flows, identifying supporters of terrorism, enforcing sanctions, and seizing funds markedly easier. As Chainalysis [explains](#), "*the unique transparency inherent in blockchain technology makes cryptocurrency particularly traceable and thus less suitable for illicit activities, including financing terrorism. Indeed, government agencies and private*



*sector organizations armed with the right blockchain analysis solutions can collaborate to identify and disrupt the flow of funds – a feat not easily achievable with traditional forms of value transfer.”*

In fact, the inherent traceability of cryptocurrency is precisely the reason Hamas suspended its crypto finance campaigns and implored its supporters to cease all Bitcoin donations. In an [announcement](#) on April 27 of this year, Hamas’ armed wing, AQB, cited successful government prosecution of crypto donors as the reason all its supporters must cease donations via this technology. Additionally, Israel quickly froze additional crypto accounts that were set up by Hamas after the initial attack. Put simply, it is significantly more difficult to the point of near infeasibility to use crypto for illicit activities such as terrorism.

In conclusion, the claims surrounding Hamas’ utilization of cryptocurrency are grossly overstated and fiat currency remains the overwhelmingly preferred method of terrorist financing by orders of magnitude. When organizations like Hamas do use crypto to raise money, it uniquely subjects their financial backers to levels of surveillance and prosecution not possible when traditional financial rails are employed. This is precisely why Hamas itself urged its supporters to cease crypto donations. In light of these facts, recent fearmongering around crypto’s role in terror financing appears to be little more than thinly veiled legitimization for dangerous attacks on Americans’ financial freedom and personal privacy. We strongly urge you and your fellow policy makers to let facts, not fear, inform additional crypto regulations.

In the meantime, we ask that you pursue aggressive oversight into how Hamas and other terrorist groups are actually financing their operations, including:

1. What steps can be taken to address the use of American aid by terrorist organizations, including but not limited to Hamas, PIJ, and Hezbollah?
2. Does the Administration have an estimate of how much of its financial contributions to groups like UNRWA have benefited Hamas?
3. To what extent are banks and financial institutions, foreign and domestic, linked to Hamas?
4. Does the Administration have an estimate of how much funding Hamas has received via fiat currency channels compared to cryptocurrency payment rails?

Sincerely,



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David McIntosh  
Co-Chairman  
Blockchain Innovation Project



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Tim Ryan  
Co-Chairman  
Blockchain Innovation Project

CC: The Honorable Brian E. Nelson, Under Secretary for Terrorism and Financial Intelligence  
Jake Sullivan, National Security Advisor  
All United States Senators  
All United States Representatives