

**Testimony of Michael Chertoff
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**Before the Committee on Finance
United States Senate**

Chairman Baucus, Ranking Minority Member Grassley, members of the Committee, thank you for inviting me to appear before this Committee to discuss one of the most important priorities of the Criminal Division - terrorist financing enforcement. I'd like to begin my remarks this morning by describing two episodes:

In 1996, Detective Sergeant Robert Fromme of the Iredel County, North Carolina, Sheriff's Department noticed something strange while working off-duty as a security guard for JR Tobacco. For several weeks, he observed young men loading their vans with cases of cigarettes and heading north on Interstate 77. These men had grocery bags full of cash and obviously were not commercial truck drivers. Detective Sergeant Fromme contacted federal authorities. Over time, with the help of the Charlotte FBI Joint Terrorism Task Force, the federal investigation uncovered a local Hizballah cell, engaged in a cigarette tax evasion scheme involving the secret delivery and sale of mass quantities of cigarettes to Michigan. The investigation also uncovered links between the Charlotte cell and individuals in Canada. In July 2000, authorities arrested eighteen individuals connected to the Charlotte Hizballah cell. With the assistance of foreign and U.S. intelligence, the Charlotte prosecutors were able to charge six individuals with conspiring to provide material support to Hizballah.

In May 2002, Muhammed Hammoud went to trial in the Western District of North

Carolina on charges of conspiring to provide and providing material support to Hizballah. The evidence at trial included: testimony of one of Hammoud's former colleagues, who had helped procure military-style items for Hizballah operatives in Lebanon; declassified wiretap recordings in which Hammoud and other defendants received instructions directly from Hizballah operatives in Lebanon; and photographs of Hammoud proudly brandishing high-caliber rifles and rocket launchers during his visits to Lebanon. Having seen and heard the evidence demonstrating Hammoud's willingness to promote violence, the jury was shown chilling photographs of Hammoud smiling in front of the Washington Monument and the White House. On June 21, 2002, after a six-week trial, the Charlotte jury convicted Hammoud.

My second story involves an international non-profit organization called the Benevolence International Foundation ("BIF") and its Chief Executive Officer, Enaam Arnaout. BIF is incorporated and headquartered in Illinois. As described in a recent complaint filed in federal court, witnesses and documents have revealed that Arnaout had a trusted relationship with Usama Bin Laden and associates dating back more than a decade. Law enforcement uncovered numerous documents indicating that BIF had provided monetary support and equipment to the war efforts of the Chechen *mujahideen*, and financial records obtained from Citibank indicated that in a four-month period in 2000, BIF sent nineteen wire transfers in the amount of \$685,560 to accounts in Georgia, Azerbaijan, Russia, and Latvia, suspected of affiliation with the Chechnyan rebels in Georgia.

On March 19, 2002, law enforcement authorities in Bosnia-Herzegovina searched eight locations affiliated with BIF, including BIF's offices in that country. Authorities recovered three firearms, a ski mask, numerous military manuals on topics including small arms and explosives,

and a fraudulent passport. In addition, authorities recovered classified documents from several different governments concerning Islamic extremism, photographs of Usama Bin Laden in Afghanistan (likely from the 1980's), and photographs of Amaout handling rifles, a shoulder-fired rocket, and an anti-aircraft gun.

Both of these stories demonstrate the power of cooperation and coordination among local, state, federal, and international law enforcement. As important, they reveal two of the strands that comprise the network of terrorist financing. The Hizballah case demonstrates how illegal activity can fuel terrorist groups. This link was also illustrated by the Department's recent indictments charging individual leaders of the Colombian terrorist groups FARC and AUC with drug trafficking. At the same time, the Amaout case demonstrates that terrorists also obtain money from ostensibly legitimate businesses and charities like BIF.

How have we tackled the tentacles of terrorist financing? The Department of Justice's terrorist financing enforcement efforts are centered around two structural components that the Attorney General established in the aftermath of September 11. Within the Criminal Division, we created the DOJ Terrorist Financing Task Force, a specialized unit consisting of experienced white-collar prosecutors drawn from the Criminal Division's Fraud, Asset Forfeiture and Money Laundering, and Appellate Sections, the Tax Division's Criminal Enforcement Sections, and several U.S. Attorneys' Offices. The Terrorist Financing Task Force works with prosecutors around the country and with the FBI's Terrorist Financing Operations Section and the Foreign Terrorist Tracking Task Force, in using financial investigative tools aggressively to disrupt groups and individuals who represent terrorist threats, with an emphasis on non-governmental organizations and charities that may be providing cover for terrorist activity.

Second, the Attorney General created 93 Anti-Terrorism Task Forces (ATTFs) to integrate and coordinate anti-terrorism activities in each of the judicial districts. The ATTFs are comprised of federal prosecutors from the U.S. Attorney's Office, members of the federal law enforcement agencies, as well as the primary state and local law enforcement officials in each district. They coordinate closely with many of the existing Joint Terrorism Task Forces (JTTFs), the successful FBI program which serves as the ATTFs' operational arm. The ATTFs form a national network coordinated in Main Justice, which is the foundation of our effort to coordinate the collection, analysis, and dissemination of information and to develop the investigative and prosecutorial anti-terrorism strategy for the country.

Congress has been a great help in our terrorist financing enforcement efforts. In addition to the technical investigative tools that were bolstered by the USA PATRIOT Act, you have enhanced the substantive criminal laws we have at our disposal in combating terrorist financing. For instance, Section 376 of the USA PATRIOT Act designates new predicate money-laundering offenses: providing material support to terrorists and providing material support or resources to designated foreign terrorist organizations. In addition, under prior law, the list of predicate federal offenses for RICO did not include the offenses which are most likely to be committed by terrorists. Section 813 of the USA PATRIOT Act added the federal crimes of terrorism to the list of RICO predicates, which will make it possible to use RICO more readily in the prosecution of terrorist organizations.

Finally, let me stress that the techniques and laws we deploy in prosecuting terrorist finance cases yield dividends in terms of prevention of acts of terror. In pursuing terrorist finance investigations, we detect and identify financial relationships that link individuals and

entities with known terrorist groups. These leads provide a basis for investigation of potential threats. They can also be analyzed through “data mining” techniques to isolate financial behavior that may be characteristic of those involved in terrorist activity.

Mr. Chairman and members of the Committee, thank you for this opportunity to appear before you today. I look forward to working with you as we continue our terrorist financing enforcement program and the other non-criminal enforcement efforts being pursued by other agencies in the war against terrorist financing. I would welcome any questions you may have at this time.