

**UNITED STATES HOUSE OF REPRESENTATIVES
HOUSE COMMITTEE ON FOREIGN AFFAIRS**

**“ATTACKING HEZBOLLAH’S FINANCIAL
NETWORK: POLICY OPTIONS”**

**JUNE 8, 2017
STATEMENT OF DEREK S. MALTZ
INTRODUCTION**

Chairman Royce, Ranking Member Engel and distinguished members of the committee, I would like to thank you for this opportunity to speak with you today regarding attacking Hezbollah’s financial network and the dangerous connections between drug trafficking and terrorism. This topic has been a priority of mine while serving as the Special Agent in Charge (SAC), Drug Enforcement Administration (DEA), Special Operations Division (SOD) for almost 10 years. I have some recommendations and lessons learned to share as the new administration develops strategies to deal with this evolving and complex threat to the United States National Security.

I would also like to thank you for the continued support you provide DEA and the other law enforcement agencies in their efforts to address these complicated global threats. As the former Special Agent in Charge of the Special Operations Division, I had the privilege of working with numerous local, state, federal and international law enforcement agencies and have witnessed the amazing results that can happen when law enforcement, both our U.S. agencies and our foreign counterparts, share operational intelligence and coordinate efforts against our common enemies.

BACKGROUND:

Over the last 30 years, I have been honored to be an active participant of the Drug Enforcement Administration and now in the private sector to work with some of the best and brightest investigators. That being said, I’m very concerned that our collective efforts have some significant challenges as our agencies attempt to establish stronger counter threat finance operations against global terrorist organizations like Hezbollah. I will discuss a very successful operation of which I am highly familiar with. The investigation also known as Project Cassandra is a long term initiative targeting a very significant transnational organized crime organization. I have highlighted some investigative details within this document that demonstrates the amazing ability for the United States Government to disrupt, dismantle and destroy Transnational Organized Crime capabilities when agencies work in a unified fashion as opposed to compartmentalizing information and operations. I also included some recommendations.

In my 28 years in law enforcement, I’ve seen many operations that were both successful and failures. Many of the failures that I have witnessed were not a result of lack of effort or skill by the investigators. Rather, those failures were the result of lack of leadership and political infighting that created an environment built around securing and maintaining one’s own kingdom, as opposed to serving the American people. I believe that if the U.S.G. would implement some of the ideas and philosophies in this document, we can make this country a safer place for current and future generations.

PROJECT CASSANDRA:

During 2004, Drug Enforcement Administration (DEA) agents in Miami initiated a large-scale money laundering investigation, titled Operation Titan. Operation Titan successfully used confidential sources to infiltrate a significant organized crime group in Medellin Colombia identified as the Oficina de Envigado. This very successful DEA investigation, coordinated by the Special Operations Division (SOD), a multi-agency operational coordination center with 30 agencies represented, led to unprecedented results and exposed elements of the Terrorist Group Hezbollah who were being funded by worldwide cocaine sales.

During this investigation several undercover activities were conducted which involved large sums of U.S. currency. As a result of the great investigative work, there was extensive intelligence developed on the main Colombia based organization and the Colombian National Police (CNP) initiated an investigation on the organization located in Colombia. Over a two-year period the CNP and DEA conducted an exceptional investigation and they identified a large scale Lebanese money launderer with activities connected with the Oficina de Envigado.

During 2008, the U.S. cooperative investigation with Colombia culminated with over 130 arrests, to include many of the senior-level operatives, and \$23 million was seized. (Rotella, 2008) This case identified the scope and the alliance between South American drug traffickers to money laundering operations in Hong Kong, Central America, Africa and Canada, and a connection to several Lebanese criminals associated with a global organized crime network.

Based on the substantial information developed during Operation Titan and very alarming and emerging trends, the Counter-Narco Terrorism Operations Center (CNTOC) located at SOD commenced an initiative focusing on all aspects of this network. The CNTOC has representatives from numerous agencies to ensure that information collected and analyzed can be immediately passed to the appropriate agencies and that the agencies can work in a collaborative task force environment. The CNTOC spearheaded a focused investigation with the field offices on the Middle Eastern money launderers working with the South American drug traffickers who were shipping multi-ton quantities of cocaine into West Africa for distribution around the world. During this initiative, DEA identified the leader of this sophisticated network who coordinated multi-ton shipments of cocaine from Colombia to Los Zeta's Mexican Drug Cartel and was laundering hundreds of millions of dollars in drug proceeds back to Colombia. The main operative also established a very sophisticated network in West Africa to move currency via couriers back to Lebanon.

The CNTOC organized a four-phased plan to include OFAC designations against substantial targets, identified as Ayman Joumaa, Elissa and Ayash Exchange, a USA Patriot Act 311 action against Lebanese Canadian Bank, a civil money laundering action against Lebanese Canadian Bank and Hezbollah's used car businesses involved in the scheme and criminal prosecution directed at the leaders of the Hezbollah involved with the drug and money laundering operation. CNTOC's strategy included all the tools of national power in a focused effort to disrupt and dismantle this trade-based money-laundering scheme.

In January 2011, the Office of Foreign Assets Control (OFAC) of the Department of Treasury, under the specially designated narcotics traffickers kingpin program, designated ten individuals and twenty entities related to the Joumaa organization to include the Elissa and Ayash Exchanges in Lebanon. (Center, Treasury Targets Major Lebanese-Based Drug Trafficking and Money Laundering Network, 2011)

In February 2011, The Department of Treasury with DEA announced the identification of the Lebanese Canadian Bank (LCB) as a financial institution of primary money-laundering concern under section 311 of the USA Patriot Act. This was the first time ever the 311 Action was used in a drug case. The organized crime network was moving large shipments of drugs from South America to Europe and the Middle East via

West Africa and laundering hundreds of millions of dollars to accounts held at LCB as well as through trade base money-laundering involving consumer goods throughout the world, including used car dealerships in the U.S. LCB was helping Hezbollah through the Joumaa network. (Center, Treasury Identifies Lebanese Canadian Bank Sal as a “Primary Money Laundering Concern”, 2011)

Subsequently in December 2011, there was a complaint filed in the Southern District of New York exposing this Lebanese money-laundering scheme which investigators documented over \$300 million into United States for the purchase and shipment of used cars to West Africa. The complaint alleged that the assets of LCB, Hassan Ayash Exchange and Elissa Holding, along with the assets of approximately 30 U.S. car buyers and a U.S. shipping company and related entities that facilitate the scheme, are forfeitable as the proceeds of violations of the International Emergency Economic Powers Act (IEEPA). Through this investigation, the task force of agencies exposed the LCB as money-laundering for Hezbollah through a very aggressive financial attack against the network. The elaborate scheme exposed very innovative ways terrorist groups like Hezbollah could identify alternate sources of income to fund their operations. As terrorists are increasingly turning to criminal networks for their funding, this operation clearly supported this statement made by the President of the United States and Senior Homeland Security Officials. This particular complaint was seeking penalties totaling \$483 million. From January 1, 2007 to early 2011 at least \$329 million was transferred by wire from LCB and the two exchange houses and other financial institutions for the purchase and shipment of used cars. (DEA, DEA News: Civil Suit Exposes Lebanese, 2011)

One of the key elements identified during this investigation was the millions of dollars that were declared being transported across the Togo and Ghana border on its way from Benin to the airport in Accra where the cash was then be shipped by Middle East and couriers to Lebanon. When the cash arrived in Lebanon at Beirut airport, Hezbollah security safeguarded the delivery of the cash into the financial exchange houses. The money was then routed through the Lebanese Canadian Bank and other financial institutions and subsequently wire transferred to the United States so the used-car businesses can purchase vehicles. The vehicles were then shipped to West Africa for resale. It was estimated that the network would earn approximately 20% profit on each car that was sold. The DEA working with our partners at CBP also identified how the carparks in West Africa were exploding with volume.

During the same December time frame, the Eastern District of Virginia announced the indictment of Ayman Joumaa for coordinating the shipment of tens of thousands of kilograms of cocaine from Colombia to Los Zetas Drug Cartel for distribution into the United States over an eight year period. Joumaa was also charged with laundering millions of dollars in drug proceeds for the organization. Joumaa’s organization was further exposed through the OFAC sanction. (EDVA, 2011)

Subsequent to the lawsuit against the LCB, investigators revealed that the LCB personnel moved assets to other banks in Lebanon in a way to hide the assets from the United States government. This criminal activity was part of the international scheme where several Lebanese financial institutions with connections to Hezbollah used the U.S. banks to launder narcotics proceeds through West Africa into Lebanon. In August 2012, the Southern District of New York filed a 981K action against five corresponding banks in the United States that were doing business with Banque Labano Francais. This particular Lebanese bank received \$150 million from the Lebanese Canadian bank after they were exposed with their international money-laundering business. As a result of this very successful 981K action, the Banque Labano Francais, transferred \$150 million to the United States Marshals Service account in New York. In June 2013, the Southern District of New York settled a civil forfeiture action against the Lebanese Canadian bank and the settlement required LCB to forfeit \$102 million to the United States. This was an unprecedented action targeting Hezbollah and their worldwide illicit activities. The settlement also identified to the world that international money-launderers for terrorists and narco-traffickers will face serious consequences even when

the activity is outside the US.(Justice, 2012) (York, 2013)

In April 2013, the Treasury Department along with DEA named two more Lebanese Exchange Houses, Kasim Remeiti and Halawi Exchange, as foreign financial institutions of primary money- laundering concern under section 311 of the USA Patriot Act. This was very significant since it was the first time the Treasury Department had used section 311 against a non-bank financial institution. These actions were all part of the ongoing DEA CNTOC strategy working closely with the Treasury Department to expose the businesses around the world working with the Joumaa organization. The significance of these actions is that it forces these financial institutions out of working in the US and international financial systems. These exchange houses used their money transmitting businesses to process millions of dollars on behalf of drug traffickers. Between 2008 and March 2011 Rmeti Exchange provided at least \$25 million in payments to US based car dealerships and other exporters connected to Juma's organization. Halawi Exchange laundered profits from drug trafficking for a main Hezbollah official. In one year alone this business were engaged in multiple transfers over \$4 million on behalf of one organization. (Center, Treasury Identifies Kassem Remeiti & Co. for Exchange and Halawi Exchange Co. as Financial Institutions of "Primary Money Laundering Concern", April)

Later in 2013, Rachel Louise Ensign, wrote in the Wall Street Journal, the Senators Call for Financial Sanctions on West Africa Drugs as part of a conclusion made in a report by Sen. Dianne Feinstein (D, Calif.), Chairman of the Caucus, and Sen. Chuck Grassley (R., Iowa) who is co- Chairman. The Senators called for financial sanctions targeting the West African drug trade in a new report. The bipartisan senate caucus on international narcotics control said the Treasury Department and other agencies should prioritize efforts to quash the flow of money linked to the growing drug trade in the region. Terrorist organizations in West and North Africa are in part financed by drug money, the report said. In recent years, a number of arrests in the region have exposed connections between the two, it said. The report hailed the U.S. government's 2011 lawsuit against the now-defunct Lebanese Canadian Bank, which alleged that the institution participated in a scheme that funded Hezbollah and involved cocaine sales in West Africa. The bank eventually settled for \$102 million earlier this year. (Ensign, Senators Call for Financial Sanctions on West Africa Drugs, 2013)

The investigation began in 2006 and involved multiple agencies, including the Treasury Department and the U.S. Drug Enforcement Administration. **"The Lebanese Canadian Bank investigation and associated enforcement actions should serve as a model for future interagency cooperation," the report said.** Another suggestion was to prioritize by adding drug traffickers operating in the region to the Treasury Department's blacklist. A designation freezes a person's assets and generally prohibits Americans from engaging in business dealings with him or her. (Ensign, Senators Call for Financial Sanctions on West Africa Drugs - Wall Street Journal, 2013)

During February 2016, DEA working with European law enforcement identified a massive Hezbollah drug and money-laundering scheme. This complex investigation targeted Hezbollah's Lebanese Hezbollah's Business Affairs Component (LHBAC). This particular component has been engaged in weapons purchases for Hezbollah to support its activities in Syria. This investigation involved multiple countries and showed once again the connection between Hezbollah and drug trafficking. This particular aspect focused on LHBAC. The LHBAC formed a business relationship with the South American cocaine traffickers responsible for shipping multi-tons of cocaine around the world. The massive proceeds made by this element provides proceeds for the purchase of weapons needed for their international terrorist operations. (DEA, DEA and European Authorities Uncover Massive Hezbollah Drug and Money Laundering Scheme, 2016) During the entire initiative, DEA working with counterparts around Europe fully identified a very

intricate network of couriers who were transporting millions of euros from Europe to the Middle East.

Building the Future:

One of my main recommendations to the new administration would be to take the foundation of what has been created at the CNTOC at the Special Operations Division with the several supporting intelligence centers and enhance the interagency efforts. After the U.S. Congress report on combatting drugs in West Africa rightfully concluded, **“The Lebanese Canadian Bank investigation and associated enforcement actions should serve as a model for future interagency cooperation”**. (Ensign, Senators Call for Financial Sanctions on West Africa Drugs, 2013). Now is the time for action and the U.S.G. should build on this success.

To illustrate the need for units such as CNTOC and added support from the new incoming leadership, one only needs to look at the December 19, 2016 article published by the Wall Street Journal titled, “The travels of Mrs. Murray’s Toyota Unveils Terror-Finance Network”. In this investigative article, the authors did a thorough job and reviewed the United States to Benin used car trade, which DEA and its partners had established, were involved in a global trade base money-laundering scheme to support Hezbollah’s global operations. The WSJ concluded that the scheme is still operational and involved used-car businesses in the United States. The article goes on to describe the following disturbing facts:

- Many of the car dealers identified in the 311 initiative continued to ship cars to West Africa.
- The used-car export business to West Africa has expanded and is very active.
- The vehicle exports to Benin in 2015 totaled \$434 million and were up from \$47 million in 2005. (Christopher S. Stewart, 2016)

As we move into the future, identifying terrorist groups using criminal enterprises in order to fund and facilitate activities will continue to become increasingly more complex. The new leaders under President Trump must support and advance the multi-agency successful efforts of groups like the CNTOC. The United States Government also needs to continue its efforts to advance technical capabilities within law enforcement agencies.

I believe that by placing qualified personnel in key leadership positions with law enforcement background, we can ensure that communication is flowing appropriately in both directions between law enforcement and the other pertinent agencies. There are some reasonable and justified reasons to withhold information at times from key law enforcement personnel, but should be minimized. It would be my hope that we can improve those relationships by ensuring that law enforcement does not feel that they are “only a source of information” as opposed to a partner in the fight against terrorism. As terrorists are looking for funding to carry out their dangerous agendas, criminal activity has been a golden source of revenue. This means, the agencies need to “break down the barriers” and unite. In the year 2017, it’s almost impossible to successfully investigate global terrorists without utilizing the amazing criminal law enforcement personnel around the globe. It should be “one great U.S.G. force”. We need to unite not divide.

I am excited and hopeful that key Homeland Security and Justice Department personnel in the Trump administration will examine successful operations like the Lebanese Canadian Bank and Operation Titan and develop best practices moving forward. The complex transnational organized crime groups are constantly evolving and becoming more sophisticated. Law Enforcement and the Intelligence Community needs a sound strategy to continue to pursue the sophisticated groups and the U.S. Government needs a unified effort. They must place some of the best and brightest people into positions like the CNTOC and continue to pursue the sophisticated groups in a focused and prioritized manner. If you successfully crush a

criminal organization's financial network, you will significantly increase the chances of disrupting their illicit activities.

Recommendations:

- SOD needs to be designated as the Transnational Organized Crime (TOC) Coordination Center for the USG and should be provided the necessary enhancements, support and directives from the highest levels of government to support President Trump's Executive Orders on Transnational Crime and Violent Crime. The SOD Center currently has over 30 agencies represented to include the NYPD, UK, Canada and Australia and has years of operational multi-agency successes of fighting TOC. The DOD and Intelligence Community also have participation and their equities are protected in the process.
- The basic principle that needs to be enforced to keep America safe is 100% Information sharing. The DOJ needs to maintain the leadership, oversight and responsibility for the multi-agency project since they are responsible for the ultimate prosecution. The Center needs to be adequately staffed. FBI and HSI should elevate the leadership within the center for maximum "unity of effort" and "buy in" from their field operatives and management.
- The DICE De-Confliction system, which is currently mandated by DOJ and DHS leadership, needs to be expanded to include the counter-terror investigations. The foundation has already been established. We also need the resources to ensure the DICE system is maintained, updated and refreshed.
- Since Crime and Terror overlap and we have identified several global fund raising schemes that are crossing into the criminal investigations, we need to break down the walls and legal impediments and develop sound sharing processes. Need to enhance the existing Global Threat Finance Teams with the expertise to disrupt and dismantle the financial aspects of these networks using all the powerful U.S. Treasury Actions.
- SOD has a robust International Investigations Program to go around the globe and take down huge threats working with our foreign counterparts around the globe. Since DEA has the largest worldwide presence of criminal investigators and years of experience working in the foreign arena, SOD, with input from all the agencies, is in a position to provide solid action plans on the highest level TOC targets.
- The leadership and command and control elements of the biggest threats to the United States are foreign and SOD has proven they can use the rule of law and obtain full cooperation from the counterparts to maximize the prosecutions in the United State.

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