

Department of the Treasury
Office of Terrorism and
Financial Intelligence

Congressional Budget
Justification and Annual
Performance Report and Plan

FY 2020

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Section I – Budget Request

A – Mission Statement

Strengthen national security by using targeted financial measures to combat threats and protect the integrity of the financial system.

B – Summary of the Request

The Department of the Treasury’s (Treasury) strategic plan guides program and budget decisions for the Office of Terrorism and Financial Intelligence (TFI). The FY 2020 Budget Request supports two of Treasury’s FY 2018-2022 Strategic Goals: Enhance National Security and Achieve Operational Excellence.

TFI requests \$166.712 million, which is a \$24.934 million increase from the FY 2019 Annualized Continuing Resolution. TFI requests these additional resources to continue to invest in its people as well as infrastructure, systems, and automated tools, thereby ensuring that TFI remains agile, innovative, and strategic in responding to the most pressing U.S. national security concerns. The budget prioritizes funding for Treasury’s targeted financial tools that protect the U.S. and international financial system from abuse, as well as countering the financial networks that support terrorists, weapons proliferators, organized transnational crime, rogue regimes, and other threats.

TFI’s economic authorities continue to play an increasingly central role in countering some of the nation’s most critical security threats. This Administration and Congress rely upon TFI to deploy non-kinetic tools at a rapid pace to proactively implement U.S. policy towards North Korea, Iran, Russia, ISIS and other terrorist organizations, Venezuela, human rights abusers and corrupt actors, narcotics traffickers, and other malign and destabilizing actors. As reliance upon TFI’s authorities has grown, the corresponding growth in personnel across TFI and increased demand placed upon secure systems requires additional investment in mission support areas. TFI’s infrastructure investments have been developed with careful consideration of the personnel increase request with the intent of developing and maintaining a collaboration network that facilitates our operational and policy goals.

1.1 – Appropriations Detail Table

Dollars in Thousands

Terrorism and Financial Intelligence Appropriated Resources	FY 2018		FY 2019		FY 2020		FY 2019 to FY 2020			
	Enacted		Annualized CR		Request		Change		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Terrorism and Financial Intelligence	495	\$141,778	495	\$141,778	545	166,712	50	\$24,934	10.10%	17.59%
Subtotal New Appropriated Resources	495	\$141,778	495	\$141,778	545	\$166,712	50	\$24,934	10.10%	17.59%
Other Resources										
Transfer-out to Departmental Offices S&E	0	(\$31,452)	0	(\$31,452)	0	0	0	\$31,452	NA	11.58%
Payments to Treasury Franchise Fund	0	\$0	0	\$0	0	(\$35,094)	0	(\$35,094)	NA	NA
Reimbursables	36	\$8,626	36	\$8,626	36	\$8,626	0	\$0	0.00%	0.00%
Subtotal Other Resources	36	(\$22,826)	36	(\$22,826)	36	(\$26,468)	0	\$0	0.00%	15.96%
Total Budgetary Resources	531	\$118,952	531	\$118,952	581	\$140,244	50	\$21,292	9.42%	17.90%

*FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the FY 2020 Appendix chapter for the Department of the Treasury.

1.2 – Budget Adjustments

Dollars in Thousands

Terrorism and Financial Intelligence	FTE	Amount
FY 2019 Annualized CR	495	\$141,778
Changes to Base:		
Maintaining Current Levels (MCLs)	0	\$1,553
Non-Pay	0	\$1,553
Efficiency Savings	0	(\$3,830)
Subtotal Changes to Base	0	(\$2,277)
Total FY 2020 Base	495	\$139,501
Program Changes:		
Program Increases:	50	27,211
Operations and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity investments	0	\$2,277
Terrorist Financing Targeting Center	10	\$6,211
Terrorist Finance and Financial Crimes	2	\$530
TFI National Security Programs	27	\$6,634
Committee on Foreign Investment in the United States	3	\$859
IT Infrastructure Investments	8	\$10,700
Total FY 2020 Request	545	\$166,712

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$1,553,000 / +0 FTE
Non-Pay +\$1,553,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Efficiency Savings -\$3,830,000 / -0 FTE
TFI Contractual Support -\$3,830,000 / +0 FTE

TFI will achieve cost savings and efficiencies in contract services through more efficient oversight of all TFI contracts, consolidating contracts where appropriate, and partnering with other agencies and DO components to leverage common technology or administrative support needs.

Program Increases +\$27,211,000 / +50 FTE
O&M of Prior-Year Enterprise-wide Cybersecurity Investments +\$2,277,000 / +0 FTE

This request includes funding to support O&M for prior-year Cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the TFI portion of the \$17.5 million O&M total.

Terrorist Financing Targeting Center +\$6,211,000 / +10 FTE

On May 21, 2017, the United States and the six Gulf Cooperation Council countries signed an historic agreement announcing a joint commitment to establish the Terrorist Financing Targeting Center (TFTC). The TFTC's efforts support the Administration's priorities to fight terrorism in new and innovative ways through a multilateral initiative that will dramatically increase the ability to curb terrorist financing. The TFTC has already resulted in greater regional cooperation as evidenced by the sharing of intelligence, the capacity building, and the joint designations by the seven participating members of TFTC that targeted terrorist leaders, financiers, and facilitators. The TFTC will continue to disrupt the finances and operations of terrorist organizations by identifying, tracking, and sharing information regarding terrorist financial networks; coordinating joint disruptive actions, like sanctions; and offering support to countries in the region that need assistance building capacity to counter terrorist finance threats.

Terrorist Finance and Financial Crimes +\$530,000 / +2 FTE

TFI requests two FTEs to develop and build global capacity to combat illicit financing in the international arena. These FTEs will be responsible for establishing strategies and employing targeted financial measures to disrupt and dismantle the financial networks that support terrorism, proliferation of weapons of mass destruction, and organized crime.

TFI National Security Programs +\$6,634,000 / +27 FTE

Treasury requests additional staffing to support its ever-increasing role in the Administration's efforts to apply economic pressure in pursuit of national security and foreign policy goals. This has included the use of unilateral designations and other economic authorities, as well as working with other countries to increase multilateral economic pressure and continuous interaction with the financial and private sector through advisories and engagement to cut off malign actors' access to the international financial system. As the number of sanctions programs continues to grow, there is a crucial need for increasing intelligence, policy, and targeting staff to identify and take impactful actions against the individuals, entities, and their networks responsible for this dangerous and malign behavior. Many of these actors have complex business structures that are well-integrated into the global markets, which requires additional analysis and post-designation support to ensure that the actions have maximum impact on malign activity while minimizing the collateral damage to U.S. businesses and our allies.

This requested staffing increase will address personnel needs, including Virtual Currency, Cyber, Iran, Russia, Human Rights/Corruption, and Counterterrorism Programs. These are high priority areas for the Administration and Treasury and constitute the majority of taskings and requirements levied upon TFI and its component offices. Below are some highlights of TFI's activities.

- The use of virtual currency is expanding rapidly with instances of its use having been identified in many key sanctions programs, including Russia, Iran, and Venezuela. This request will help support additional intelligence, targeting, and policy expertise to ensure that TFI and Treasury remain well positioned to stay ahead of emerging financial threats in this space.
- TFI will increase intelligence, policy, and targeting personnel to support the Administration's priority in countering Iran's malign behavior and Russia's destabilizing activities. This

includes Treasury's ongoing efforts to implement the Countering America's Adversaries Through Sanctions Act (CAATSA) targeting and reporting requirements. The Administration remains committed to countering the threat posed by Iran by using Treasury's economic authorities to deny the regime and the Islamic Revolutionary Guard funding for malign activities, including its support for terrorism and regional destabilization in Yemen and Syria. Treasury's Russia-related sanctions program remains a top priority as well, with strategic, complex actions that target key actors across the full range of Russian malign activity, to include malign cyber activities, interference in democratic elections, aggressive behavior in Ukraine, and purported illegal annexation of Crimea as well as its continued support for the Assad regime.

- The December 2017 Executive Order implementing the Global Magnitsky Act highlights Treasury's critical role in identifying and financially isolating those who destabilize countries and regions by pilfering the wealth and resources of their nation or commit human rights abuse and atrocities. TFI's use of these authorities has already impacted individuals across the globe and changed the way regimes are operating, directly advancing objectives outlined in the National Security Strategy. These funds will support TFI in supporting policy, intelligence, and targeting efforts in this program.
- TFI monitors and takes action against numerous terrorist entities across the globe, an effort that has become increasingly complex as terrorist groups continue to splinter and fracture into more independently operated organizations. This request will assist in supporting TFI's efforts in maintaining persistent pressure to disrupt the financing of these terrorist organizations.

Committee on Foreign Investment in the United States +859,000 / +3 FTE

CFIUS is an inter-agency committee authorized to review transactions that could result in control of a U.S. business by a foreign person, in order to determine the effect of such transactions on the national security of the United States. Additional TFI resources are required to meet the increase in the CFIUS caseload.

IT Infrastructure Investments +\$10,700,000 / +8 FTE

Treasury Financial Intelligence Network (TFIN) +\$4,498,000 / +2 FTE

- **IT Infrastructure upgrade.** Increases bandwidth on existing infrastructure in support of the TFI expansion and build a more robust capability for the TFI collaborative data discovery initiative. Currently, TFI's virtual desktop infrastructure is not sufficient to support the new demands of data analytics. Without more processing power, TFIN users will continue to lack the ability to query certain databases or effectively utilize analytic tools, undermining OIA's ability to support TFI efforts to identify, disrupt, and dismantle threats to the United States and international financial system.
- **TFIN Network Defense.** Enhances the ability to monitor the classified Network against cyber threats by incorporating more comprehensive and integrated risk and threat management. Without enhanced network defense capabilities, Treasury's classified network may potentially be vulnerable to cyber threats like network intrusions, malicious actors, or other vulnerable exploits. Cyber defense services are critical components to detect, monitor, and analyze TFIN network elements to keep our organization's data center healthy and functional.

- ***Multi-factor Authentication (MFA)***. Creates a layered defense and make it more difficult for an unauthorized person to access a target such as a physical location, computing device, network, or database. Failure to effectively use current MFA technologies on TFIN would result in vulnerable computing devices, networks, or databases
- ***Cross Domain - One Way Transfer (OWT)***. Implements the OWT system that provides secure transfer of data between the unclassified domain to that of a higher security level using proven technology that automatically scans files for viruses. Manually transferring data is cumbersome, time consuming, and often impacts data confidentiality, integrity, and availability. OWT systems reduce the amount of time currently required to transfer data from lower to higher classification systems.

User Activity Monitoring (UAM) on Unclassified Bureau Networks +\$3,047,000 / +4 FTE

Rapid technological advances are allowing a broad range of foreign intelligence entities (FIEs) to field increasingly sophisticated capabilities and aggressively target the government, including Treasury. FIEs are proactive and use creative approaches—including malicious insiders threats—to advance their interests and gain advantage over the United States. To mitigate these threats, the Office of Counterintelligence (OCI) must drive innovative counterintelligence (CI) and insider threat solutions to include implanting more effective monitoring solutions. This request includes funding for UAM licenses, hardware, software, and professional services, as well as additional insider threat analysts and CI investigators. Treasury Order 105-20 (Revised) will give the OCI the authority to monitor all cleared users on unclassified networks. As 75 percent of Treasury's cleared population is employed by the bureaus, and the exfiltration of sensitive information is most likely to occur on an unclassified network, this is a critical need. This deployment will cover over 100,000 endpoints and collect activity data on approximately 5,000 employees. The additional analysts and investigators will support this expanded effort, as well as the launch of Treasury's Insider Threat Reporting Guidelines, which will be disseminated Department-wide and require all Treasury employees and insider threat stakeholders to report CI and insider threat indicators; OCI anticipates a significant increase in CI and insider threat reporting due to its publication. The overall increased workload will greatly exceed levels manageable with current Insider Threat Program staffing.

OFAC-wide IT Infrastructure +3,117,000 / +2 FTE

- ***Enhancement to the OFAC Administrative System for Investigations and Sanctions (OASIS) to aid with TAR Processing***. Further automates the Terrorist Assets Report (TAR) to Congress by enabling the electronic upload of data from financial institutions directly into Office of Foreign Assets Control's (OFAC) collection system instead of having the data manually transmitted to OFAC and being entered into the system by employees. While an important measurement of the blocked assets of State Sponsors of Terrorism as well as terrorist groups, OFAC's preparation of the annual TAR remains a labor-intensive, mostly manual process. This enhancement will allow OFAC to replicate automation gains already implemented on some programs across additional sanctions programs.
- ***Secure Online Communications Tool***. Completes secure bi-directional, data/e-communication transfers with the public in order to allow financial institutions to file information required by OFAC regulations (such as blocking reports) in a secure and expeditious manner. This initiative will transform the public's ability to submit and track respective OFAC transactions, including maintaining an online account with OFAC, and

improve communication with the general public. The solutions to date have either been cost-prohibitive or inefficient, requiring a visit to the public institution seeking to establish a connection. OFAC has identified a government-approved, secure, sustainable, and efficient bi-directional solution to solve this need, and OFAC is in the process (via prototype) of implementing the solution for the Banking Institution High Volume Blocking report filers. This request would take the prototype to a production system and will be greeted as a significant step forward.

- **OFAC Classified Network e-workflow and Case Management.** Enhances the hardware and software necessary to enable case management functionality on Treasury’s classified networks that mirrors OFAC’s unclassified OASIS case management system. These enhancements will allow for the installation of the software necessary to support case management, TFI collaboration, and other analytical efforts on Treasury’s high and mid-side networks.
- **TFIN Enhancement Information Analysis Project.** Complements the larger TFI-wide data discovery and analysis initiative by providing mature data analytics functionality on TFIN for disparate OFAC (and TFI) investigative data sets. With this investment, TFI would be able to perform maintenance on existing designees, with the expectation of a 150 percent increase in ISIS terrorism targets by introducing the ability to identify direct and indirect relationships in a way not possible without this technology and a 50 percent increase in targeting across other counter terrorism groups.

1.3 – Operating Levels

Dollars in Thousands

Terrorism and Financial Intelligence Object Classification	FY 2018	FY 2019	FY 2020
	Enacted	Annualized CR	Request
11.1 - Full-time permanent	54,884	54,884	60,763
11.3 - Other than full-time permanent	243	243	556
11.5 - Other personnel compensation	971	971	1,078
11.9 - Personnel Compensation (Total)	56,098	56,098	62,397
12.0 - Personnel benefits	17,394	17,394	19,924
Total Personnel and Compensation Benefits	\$73,492	\$73,492	\$82,321
21.0 - Travel and transportation of persons	2,797	2,797	2,116
22.0 - Transportation of things	20	20	824
23.1 - Rental payments to GSA	73	73	491
23.2 - Rental payments to others	14	14	256
24.0 - Printing and reproduction	100	100	122
25.1 - Advisory and assistance services	8,125	8,125	16,546
25.2 - Other services from non-Federal sources	7,989	7,989	9,620
25.3 - Other goods and services from Federal sources	41,768	41,768	46,672
25.7 - Operation and maintenance of equipment	360	360	404
26.0 - Supplies and materials	2,000	2,000	2,302
31.0 - Equipment	1,400	1,400	3,258
32.0 - Land and structures	3,640	3,640	1,780
Total Non-Personnel	\$68,286	\$68,286	\$84,391
New Budgetary Resources	\$141,778	\$141,778	\$166,712

*FY 2018 shows actual FTE usage. This column reflects levels appropriated in P.L. 115-141 Consolidated Appropriations Act, 2018. For further details on the execution of these resources see the FY 2020 Appendix chapter for the Department of the Treasury.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY OFFICE OF TERRORISM AND FINANCIAL INTELLIGENCE <i>Federal Funds</i> SALARIES AND EXPENSES</p> <p><i>For the necessary expenses of the Office of Terrorism and Financial Intelligence to safeguard the financial system against illicit use and to combat rogue nations, terrorist facilitators, weapons of mass destruction proliferators, human rights abusers, money launderers, drug kingpins, and other national security threats, \$166,712,000: Provided, That of the amounts appropriated under this heading, \$10,000,000 shall remain available until September 30, 2021.</i></p> <p>Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.</p>	

E – Legislative Proposals

The Office of Terrorism and Financial Intelligence has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

TFI programs support the following Department of the Treasury’s Strategic Plan for FY 2018-2022. Strategic objectives for Strategic Goal 3, to enhance national security:

- Objective 3.1 – Strategic Threat Disruption: Identify, dismantle, and disrupt priority threats to the U.S. and international financial system.
- Objective 3.2 – AML/CFT Framework: Identify and reduce vulnerabilities in the U.S. and international financial system to prevent abuse by illicit actors.
- Objective 3.3 – Economic Strength and National Security: Advance American prosperity and security through growth, investment, trade, and expanding the American industrial base while protecting national security.

TFI programs support the following strategic objectives for Strategic Goal 5, to achieve operational excellence:

- Objective 5.1 – Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.
- Objective 5.2 – Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury’s infrastructure.

B – Budget and Performance by Budget Activity

2.1.1 – Terrorism and Financial Intelligence Resources and Measures

Dollars in Thousands

Resource Level	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	\$101,305	\$112,160	\$112,754	\$121,580	\$109,038	\$141,778	\$166,712
Other Resource	\$31,293	\$6,966	\$6,329	\$6,491	\$8,626	\$8,626	\$8,626
Budget Activity Total	\$132,598	\$119,126	\$119,083	\$128,071	\$117,664	\$150,404	\$175,338
FTE	376	385	414	428	444	531	581

Performance Measure	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018	FY 2019	FY 2020
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Impact of TFI Programs and Activities	8.5	8.8	8.7	8.5	DISC	DISC	DISC	DISC
New or Modifications to Existing Sanctions Programs	N/A	N/A	N/A	5	6			
Number of Designation Actions	N/A	N/A	N/A	867	725*			
Analytic Intelligence Support	N/A	N/A	N/A	385	704			
Review and Support of Foreign AML/CFT Laws and Regulations	N/A	N/A	N/A	49	64			

Key: | - Indicator

*This number does not include the more than 700 individuals, entities, aircraft and vessels sanctioned on November 5, 2018, as part of the re-imposition of the U.S. nuclear-related sanctions that were lifted or waived in connection with the JCPOA. Although technically completed in FY 2019, the vast majority of the work was completed in FY 2018.

Terrorism and Financial Intelligence Budget and Performance

(\$166,712,000 from direct appropriations, \$8,626,000 from reimbursable resources):

TFI serves a distinct role in enhancing national security by deploying Treasury's tools and authorities to protect the U.S. and international system from abuse and by combating rogue regimes, terrorist facilitators, weapons proliferators, money launderers, drug kingpins, human rights abusers, cyber criminals and other illicit finance and national security threats. TFI does this by strategically applying the policy, law enforcement, intelligence, and regulatory tools, and authorities of its components in a calibrated manner to achieve maximum impact. In FY 2018, TFI successfully applied its diverse targeted financial measures, including financial sanctions and regulatory tools that address major national security challenges. These challenges include North Korea, Iran, Russia, Syria, Venezuela, ISIS, al-Qai'da, Hizballah, human rights violators and others. In an effort to identify, disrupt, and dismantle these threats, TFI was able to deny revenue sources to these illicit actors.

North Korea

In the past year, TFI has supported the Administration's goal to achieve the final, fully verified denuclearization of North Korea by maintaining pressure on North Korea's finances and economy, thereby stemming the flow of illicit revenue to its weapons program which continues to pose a threat to global security. TFI deploys a variety of financial tools and authorities to curb the North Korean threat, including sanctions; measures for anti-money laundering and countering the financing of terrorism (AML/CFT); regulatory actions under Section 311 of the United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act); foreign engagement; and private sector partnerships; among other actions.

In November 2017, FinCEN issued its final ruling pursuant to Section 311 of the USA PATRIOT Act against the China-based Bank of Dandong for serving as a gateway for North Korea to access the international financial system. Along with that action, FinCEN issued an advisory to financial institutions across the globe with specific red flags of illicit North Korean schemes being used to evade U.S. and UN sanctions, launder funds, and finance the regime's weapons of mass destruction and ballistic missile programs. Additionally, in February 2018, the OFAC issued an advisory, joined by the U.S. Department of State and the U.S. Coast Guard, to alert persons globally to deceptive shipping practices used by North Korea to evade sanctions. Overall, in FY 2018, TFI has sanctioned more than 200 individuals, entities, and vessels related to North Korea. This economic pressure campaign has created the conditions to bring the U.S. and North Korea to the negotiating table to finally achieve fully verifiable denuclearization with the hope of bringing peace to the Korean peninsula.

Iran

With respect to Iran, following the President's announcement in May 2018 to cease participation in the Joint Comprehensive Plan of Action (JCPOA), Treasury re-imposed U.S. sanctions on the Iranian regime. These measures, imposed in two phases, are designed to greatly reduce Iran's capacity to continue its support for terrorism, human rights abuses, ballistic missile proliferation, destabilizing activities, and support of militant groups. In addition, as of the end of FY 2018, TFI has issued 18 rounds of sanctions on 146 individuals and entities for a range of activities related to terrorism, proliferation, and human rights abuses, and to thwart Iran's exploitation of

the global financial system. Additionally, on November 5, OFAC issued an additional 700 designations, the preparation of which all took place in FY 2018. Sanctions have included designations of the then-Governor of the Central Bank of Iran for conspiring with the Islamic Revolutionary Guard Corps-Qods Force (IRGC-QF) to conceal the movement of millions of dollars to enrich and support Hizballah; individuals and entities supporting Mahan Air, an airline previously designated for its support to terrorism, and a currency exchange network that was funneling millions of dollars to the IRGC-QF.

In addition to sanctions, TFI continues to deploy other tools to achieve maximum pressure on Iran to hold Iran accountable for its destabilizing activities. For example, FinCEN recently issued an advisory to financial institutions detailing Iran's efforts to deceive legitimate businesses, including through the use of front and shell companies, to fund its malign activities. Likewise, Treasury officials have traveled the world in recent months, meeting with officials in dozens of countries to warn them of Iran's illicit activities and garner their support for our pressure campaign.

Russia

TFI has also undertaken a comprehensive and strategic financial pressure campaign to counter the scale and sophistication of Russia's malign activities. TFI has strategically deployed tools to maximize financial pressure on the Kremlin while minimizing unintended consequences within the international financial system. These efforts have included a robust sanctions program, enforcement actions, foreign engagement, and private sector partnerships to deter their illicit activity. As of the end of FY 2018, the Administration sanctioned 215 individuals or entities, including 136 designated under Ukraine/Russia-related sanctions under the CAATSA. TFI sanctioned powerful Russian oligarchs and many of the companies they own or control. Additionally, to protect the international banking system, FinCEN named Latvia-based ABLV Bank as a primary money laundering concern under Section 311 of the *USA PATRIOT Act*. This closed a key access point being exploited by illicit Russian actors to access the international banking system.

Counter-Terrorism

TFI's financial tools are also making an impact in the fight to combat terrorism, to include the Islamic State of Iraq and Syria (ISIS), al-Qa'ida, Hizballah, Hamas, the Taliban and others. The TFTC, introduced in FY 2017, was created to disrupt the financing of terror through the sharing of intelligence and coordinated actions between the U.S. and six Gulf country partners—Saudi Arabia, Bahrain, Qatar, Kuwait, Oman, and the United Arab Emirates—as well as through capacity building. In FY 2018, TFTC conducted two rounds of multilateral designations, to include the senior leadership of Hizballah's Shura Council and leaders, financiers, and facilitators of the ISIS in Syria and Yemen and al-Qa'ida in the Arabian Peninsula. Additionally, TFI led discussions with Gulf partners on regional terrorist financing issues, and FinCEN led a training session with the Financial Intelligence Units of TFTC member countries.

Beyond coordinated sanction actions, TFI continued targeting Hizballah and its supporters, including leadership, operatives, facilitators, financiers, investors, and key global procurement networks. In FY 2018, TFI conducted 26 Hizballah-related sanction designations, and saw more designations in calendar year 2018 by the Departments of State and Treasury than in any single year. Furthermore, in September 2018, TFI sanctioned a company with ties to the Assad regime

in Syria that facilitated the trading of fuel between Assad's government and ISIS. The designations disrupted this specific illicit supply chain and eliminated access to the international financial system.

Human Rights

The U.S. along with other international partners have applied unprecedented financial pressure on the Maduro regime in Venezuela in light of the recent actions and policies of the Government of Venezuela, including serious abuses of human rights and fundamental freedoms; the deepening humanitarian crisis in Venezuela; establishment of an illegitimate Constituent Assembly; rampant public corruption; and ongoing repression and persecution of, and violence toward, the political opposition. In FY 2018, TFI implemented sanctions against several senior government officials and former officials, along with others in Maduro's inner circle, and issued a FinCEN advisory to financial institutions to assist them in blocking suspected Venezuelan public corruption funds moving through the U.S. financial system. TFI will continue to impose financial constraints on those responsible for Venezuela's severe decline and the illicit financial networks used to mask their wealth.

TFI has also applied our tools and authorities to combat corruption and human rights abuses through the *Global Magnitsky Human Rights Accountability Act*. Under this program, by the end of FY 2018, TFI has sanctioned more than 80 individuals and entities, including a corrupt financier of mining and oil deals in the Democratic Republic of the Congo and individual officers and units of the Burmese military for their involvement in ethnic cleansing and extreme violence against the Rohingya Muslim population and other ethnic and religious minorities. Moreover, FinCEN issued an advisory to U.S. financial institutions to highlight the connection between corrupt senior foreign political figures and their enablement of human rights abuses. In Nicaragua, Treasury again used these tools and authorities to combat an increasingly deteriorating corruption and human rights crisis. OFAC designated four officials pursuant to the Global Magnitsky authority in response to their significant involvement in corruption schemes or human rights abuse. OFAC also issued an advisory alerting financial institutions that the growing instability in Nicaragua may lead to the proceeds of crime and corruption from senior political figures entering the United States. TFI will continue to take action against human rights and corruption related targets around the globe, including implementing sanctions under Global Magnitsky and other authorities.

FATF

TFI has also focused on improving systemic enhancements to the global financial system, including Treasury's July 2018 assumption of the presidency of the Financial Action Task Force (FATF), the AML/CFT standard setting body. TFI has set three priorities during this term:

- Clarifying how the FATF standards on regulation and supervision apply to virtual currency service providers to mitigate the use of virtual currencies by illicit actors;
- Maintaining the FATF's emphasis on combating terrorist financing; and
- Enhancing FATF's work on preventing the financing of the proliferation of weapons of mass destruction.

During FY 2018, Treasury participated in FATF peer review processes of seven countries: Iceland, Bahrain, Saudi Arabia, Myanmar, Indonesia, Latvia and United Kingdom. These comprehensive AML/CFT assessments evaluate countries against the FATF standards for both technical compliance and effective implementation. FATF also clarified how its standards apply to virtual asset service providers, which include virtual currency exchangers and administrators.

TFI worked with the FATF to produce extensive guidance on counter proliferation financing. This guidance aims to help both public and private sector stakeholders understand and implement the obligations of the United Nations Security Council resolutions, as well as how to prevent sanctions evasion.

In FY 2019, TFI is working with the FATF to foster improved information-sharing between governments and between financial institutions to put both in a better position to detect, deter, and disrupt illicit finance, one effort among many that will continue into FY 2020.

In support of our priorities to protect the financial system from abuse by illicit actors, Treasury launched the FinCEN Exchange to provide financial institutions with additional information about priority issues on a more regular basis. This will allow these financial institutions to focus on specific illicit finance and national security threats. As part of this program, TFI convenes regular briefings with law enforcement and financial institutions to exchange information on priority illicit finance threats, including targeted information and broader typologies. This program enables financial institutions to better identify risks and focus on high priority issues and allows FinCEN and law enforcement to receive critical information to help them disrupt money laundering and other financial crimes.

In addition, TFI resolved three civil enforcement actions against financial institutions that violate the *Bank Secrecy Act*, which resulted in the assessment of civil money penalties against two depository institutions and one casino.

Throughout FY 2019 and FY 2020, TFI will focus heavily on strategically deploying its tools and authorities for maximum impact against national security and foreign policy challenges, as well as addressing risks to and vulnerabilities within the U.S. and international financial system. TFI will continue to focus on applying targeted financial measures against North Korea, Iran, Russia, and Venezuela, in addition to identifying, disrupting, and dismantling terrorist organizations, drug kingpins, transnational criminal organizations, and other threats to the U.S. and our international partners.

Terrorism and Financial Intelligence Offices Supporting the AML/CFT Mission

This budget request supports three of the four components within TFI that exercise AML/CFT authorities and responsibilities. The fourth component, Financial Crimes Enforcement Network (FinCEN), reports directly to the Under Secretary for TFI but is budgeted separately as a bureau within the Treasury.

TFFC

TFFC is responsible for formulating and coordinating comprehensive strategies to target national security and foreign policy threats and safeguard the U.S. and international financial systems from abuse. In performing its mission, TFFC works across TFI, as well as interagency and law enforcement, to ensure that Treasury's tools are strategically applied and calibrated for maximum impact against global threats such as North Korea, Iran, Venezuela, Russia, ISIS and Hizballah, among others. TFFC also leads the development of AML/CFT regulatory and outreach initiatives and collaborates with Federal law enforcement on financial crime methodology analysis. Domestically, TFFC performs a critical role in working with key stakeholders to increase the security of our financial systems, leading public-private sector dialogues, financial experts meetings, and other strategic initiatives to identify and address potential vulnerabilities. TFFC also serves as the primary interlocutor with international partners whether on a bilateral basis or in multi-lateral fora to enhance information sharing, advance systemic reforms, synchronize targeted actions, and increase pressure on other countries to address specific illicit finance concerns in line with U.S. national security priorities. TFFC serves as the head of the U.S. Delegation to the Financial Action Task Force, the international body that sets standards and promotes effective implementation of AML/CFT legal, regulatory and operational measures that protect the integrity of the international financial system. TFFC is also leading Treasury's efforts to operationalize the Terrorist Financing Targeting Center.

Office of Intelligence and Analysis (OIA)

As one of 17 members of the U.S. Intelligence Community (IC), OIA is responsible for informing Treasury decisions with timely, relevant, and accurate intelligence and analysis of financial networks and illicit actors. It supports this mission by: producing all-source intelligence analysis that identifies threats to and vulnerabilities within the international financial system; driving and delivering intelligence that meets the needs of Treasury decision makers; and providing the security infrastructure to protect Treasury's physical and information security apparatus. OIA's efforts inform and support the Department's ability to address illicit finance and national security threats, including Iran, North Korea, Russia, ISIS, al-Qaida, and illicit cyber actors. OIA works with the Office of the Director of National Intelligence and other IC agencies to help ensure the Department's intelligence needs are met. OIA's security office ensures that all necessary Treasury personnel are properly trained to safeguard information systems and infrastructure. OIA's security office also maintains counterintelligence and insider threat programs designed to deter, detect, and mitigate foreign intelligence and insider threats to Treasury.

OFAC

The Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against over 40 targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy, or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under U.S. jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments. OFAC vigorously enforces the sanctions programs it

administers, and conducts civil enforcement investigations against U.S. and non-U.S. individuals and entities who threaten the integrity of its sanctions programs. OFAC's enforcement actions and activities – including civil monetary penalties, non-public disruptive intervention, and public outreach – illuminate evasion schemes and enlist the private sector in its sanctions efforts. Additionally, OFAC administers a licensing program through which it reviews and then authorizes or denies requests to conduct certain transactions or activities that would otherwise be prohibited. OFAC is continually evaluating and adjusting its sanctions programs to ensure that it is prohibiting illicit activity, while allowing activity that is consistent with or advances U.S. national security and foreign policy.

Description of TFI's Performance:

As described more fully above, TFI has strategically and tactically deployed all available economic tools and authorities to disrupt and counter key national security challenges. TFI focuses its resources on those actions that are most likely to create the greatest impact towards a stated program objective. Therefore, the number of actions taken cannot serve as a single determination of effectiveness, complexity, or level of resources required to complete the action. For instance, as TFI takes action against larger entities or individuals that are integrated into and impact global supply chains, the level of resources and complexity of planning for the action increases substantially. For every action, additional resources are required to monitor collateral impacts, issue required licenses, engage with the public to answer questions, participate in bilateral and multilateral exchanges to ensure international support for actions, timely meet reporting requirements, monitor for potential evasion, and execute all required regulatory changes, among other things.

Impact of TFI Programs and Activities: To gauge its performance, TFI previously used a composite measure consisting of three program office focus areas related to its mission and strategic goals, including customer outreach, increasing production and dissemination of intelligence products, and implementing IT modernization projects. TFI discontinued this measure in FY 2018 but proposes four new measures with targets for FY 2019 and FY 2020.

New or Modifications to Existing Sanctions Programs: This indicator measures new actions or expansion of existing sanction programs, and the data is collected by OFAC. The measure reflects an increase in workload requirements as any new country program or expansion in scope of existing programs are by and large in addition to current workload and not in lieu of already existing work, and therefore, cumulative. Conversely, ongoing program requirements are much less frequently removed. The creation or modification of sanctions programs requires a significant upfront dedication of policy, program, legal, and regulatory resources to ensure proper coordination and documentation of the changes.

Number of Designation Actions: This indicator measures number of actions taken to impose sanctions, and is collected by OFAC. It is important to note that "Program-Specific Designations" may not always represent a true reflection of TFI's extensive efforts across programs or toward a particular program. From FY 2017 to FY 2018, TFI activity increased across a number of high priority programs. However, the FY 2018 numbers do not reflect the approximately 700 Iran sanctions that were implemented on November 5, 2018, in conjunction with the full snapback of sanctions following the President's withdrawal of the United States

from the JCPOA. Though these sanctions technically occurred in FY 2019, the preparation for the tranche was exceedingly complex and required several lines of effort over the last several months of FY 2018.

Analytical Intelligence Support: TFI includes both formal analytical intelligence briefings as well as final analytical intelligence products that were published. The significant increase from FY 2017 to FY 2018 represents increased demand as well as a higher prioritization on production.

Review of Foreign AML/CFT Law and Regulations: This measure tracks/includes participation in FATF mutual evaluations (ME), which are peer evaluations of countries' levels of effectiveness and implementation of the FATF AML/CFT Standards. The data is collected from TFFC. Participation in MEs usually requires several extended on-site visits in country, extensive analysis of a country's AML/CFT system, and follow-up meetings to provide in-depth analyses and ratings. Additionally, the metric includes reviews and comments on reports produced by the nine FATF-style Regional Bodies; and, work assessing and reviewing countries as part of the International Cooperation Review Group, which oversees the FATF process that identifies and reviews jurisdictions with strategic AML/CFT deficiencies that may pose a risk to the international financial system and closely monitors their progress. Finally, this metric includes strategic support to certain high priority bilateral partners in an effort to enhance their AML/CFT laws, regulations, and structures. This effort may include, but is not limited to, bilateral and multilateral meetings, foreign travel, and reviewing draft legislation.

C – Changes in Performance Measures

Performance Measure or Indicator	Proposed Change and Justification
1. Impact of TFI Programs and Activities (discontinue)	We propose to stop reporting this metric in the CJ/BIB because this data required considerable effort to collect and was not indicative of TFI's overall performance.
2. New or Modifications to Existing Sanctions Programs (new measure)	This indicator measures new actions or expansion of existing sanction programs. The creation or modification of sanctions programs requires a significant upfront dedication of policy, legal, and regulatory resources to ensure proper coordination and documentation of the changes. The data is collected by OFAC.
3. Number of Designation Actions (new measure)	This indicator measures number of actions taken to impose sanctions. The preparation for each action is exceedingly complex and requires several lines of effort. The data is collected from OFAC.
4. Analytic Intelligence Support (new measure)	This indicator includes both formal analytical intelligence briefings and final analytical intelligence products that were published. The data is collected from OIA.
5. Review and Support of Foreign AML/CFT Laws and Regulations (new measure)	This indicator includes participation in FATF ME, which are peer evaluations of countries' levels of effectiveness and implementation of the FATF AML/CFT Standards. Additionally, the metric includes reviews and comments on reports produced by the nine FSRBs; and, work assessing and reviewing countries as part of the ICRG. Participation on mutual evaluations usually requires several extended on-site visits in country, extensive analysis of a country's AML/CFT system. The data is collected from TFFC.

Section III – Additional Information

A – Summary of Capital Investments

A summary of capital investment resources, including major information technology and non-technology investments can be found at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.