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# Combating the Networks of Illicit Finance and Terrorism

Matthew Levitt,

Fromer-Wexler Fellow and Director, Reinhard Program on Counterterrorism and Intelligence, The Washington Institute

Testimony submitted to the Senate Committee on Banking, Housing, and Urban Affairs

October 26, 2023

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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>

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<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/>.

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.

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.

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<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?gtidid=200109110005>.

<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-resorces/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/>.

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 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's 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 that 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

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<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).

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 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

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<sup>14</sup> Matthew Levitt, "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> Ibid.

<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://ap-news.com/article/business-middle-east-israel-foreign-aid-gaza-strip-611b2b90c3a211f21185d59f4fae6a90>

<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-f6ec-dbdf-a9ab-feede6730000>.

\$35 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 Abdul Aziz Rantisi. Rantisi’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 Rantisi 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 Salameh, 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*, Salameh 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 Salameh in Tehran, after which Salameh 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>

Relations between Hamas and Iran soured over Hamas’s 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>

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<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>

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

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 Marzouk, 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's 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's Qassam Brigades and Hamas activities in Gaza.<sup>32</sup>

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>

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<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/sgp/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/jl0159.aspx>

<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>.



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> 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’s 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—

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<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, “Hizbullah 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>.

<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/nationalstrategyforcombatingterroristandotherillicit-financing.pdf>

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's official Khalid Mashal gave a speech supporting Hamas's attack on Israel and calling for financial jihad to support the group.<sup>47</sup> Other recent examples of Hamas's 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>
- 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

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<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> Ibid.

<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/js439>.

<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/js672>.

<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/#>.

<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/kuwaiti-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/hp1267>.

<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/>.



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 “current 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 U.S. 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’s Qassam Brigades, al-Qaeda, and Islamic State.<sup>58</sup> Recently, analysts from the National Counterterrorism Center (NCTC) 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’s 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 U.S.-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>

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<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/hp1267>.

<sup>57</sup> Cynthia Dion-Schwarz, David Manheim 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,” U.S. Department of Justice, 13 August 2020. Available at: <https://www.justice.gov/opa/pr/global-disruption-three-terror-finance-cyber-enabled-campaigns>

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

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

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's October 7 attack.<sup>62</sup> Open-source analysis points out that while crypto plays an important and developing role in Hamas's 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>

### **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's 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's 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-

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<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-46c2-8576-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>

<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/jl0159>

based Hamas official who headed the Hamas Finance Office and managed Hamas's 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's 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's international investment portfolio.<sup>67</sup> Ahmed Sharif Abdallah Odeh, a Jordanian, ran Hamas's 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's Executive Committee.<sup>68</sup>

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

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<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/jy0798>.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

<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/jy1816>

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 Hizballah-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.

In another example of Hamas’s 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’s 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:

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

<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/jv1836>

<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/jl0159>

<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>.

- 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>
- 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.

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<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>.

<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)

### **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.**

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’s 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 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

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<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



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's 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 Saleh al-Arouri, Khaled Mashal, Ismail Haniyeh, and Yahya al-Sinwar play hands-on roles in both Hamas operational and financial decisions, but they live freely in the capitals of U.S. allies.

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.

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<sup>84</sup> Hadeel Al Sayegh, John O'Donnell, 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)