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Panel: Sharpening Tools and Systemic Challenges of Economic Coercion (with remarks by Yaya Fanusie)

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YAYA FANUSIE: Good morning everyone. We're actually -- we're actually going to get started in a few minutes so we can stay on track.

I'm Yaya Fanusie, director of analysis for the Center on Sanctions and Illicit Finance. And just want to make a few introductory remarks before the next panel. And, if you think about it, it was actually about two years ago, when we had our CSIF launch, and I think now is a really good time to reflect on where we've been and also where we're going.

You know, it would be very easy to toot our CSIF horn, if we wanted to, which we -- which we won't, at least not too much. I mean, we could mention, if we wanted to, how CSIF's expertise was sought after for the House Financial Services Committee Task Force to Investigate Terrorism. In the span of one year, our experts testified 12 times for the task force, making up about a third of the witnesses, way more than any other think tank.

You know, we could point to the tremendous work that we've done over or on Iran and Iranian sanctions evasion, dissecting the deal and looking at sanctions evasions -- evasion measures in the aftermath of the JCPOA.

All of this exemplifies that we can go wide and we go deep, but it's also important to note that we shouldn't rest on our laurels, even with this great performance, and if you want a reminder, just think about what happened last night in the Super Bowl. What's more important, I think, at this point is to reflect on what we're planning to do, what we're looking forward to, and there are a few things I'll just mention briefly.

In the coming months, we plan to do more to uncover and analyze the conversions of actors operating in the illicit financing space. And, this includes those who are facilitating dangerous activities like, proliferation, North Korea, and still Iran, activities, of course of terrorism, organized crime and actors working to undermine U.S. and allied influence.

We're in the midst of a project to provide an outlook on the financing of terrorist groups in the Middle East and Africa, assessing their vulnerabilities and highlighting action points that we recommend to hinder their funding. We're calling this the Terrorist Financing Guide Book and we plan to share more about it in the coming weeks.

We've already mentioned what we're doing on cyber enabled economic warfare. Right? We're cognizant of how technology is changing the national security space, and again, thanks to Sam Ravich as was mentioned before, we're marching forward in that. And, we're also making sure that we follow the emerging trends in technology -- financial technology, which have illicit finance and national security implications that have not fully been explored, such as crypto-currencies, and blockchain technology applications.

So we aim to drive these topics and many more for the policy community, but also for the private sector stakeholders, who are caught in -- in the midst of these issues and are fully part of them. So, stay tuned, make sure you're plugged in with us, social media. Most of you who are here, obviously are probably on our mailing list, but stayed plugged in to follow -- to @followFDD, @fdd_CSIF on Twitter and make sure you -- you are in tune as we march forward.

I'm not -- because of the schedule, I'm actually not going to take -- take up any more time. So, if -- if we are -- if we are ready to move forward.

Our next -- the next panel is on Sharpening Tools and Systemic Challenges of Economic Coercion. So what we're doing is, we're bidding on the flip side of the defensive and offensive economic warfare space. So, if we can -- if we can welcome, coming up to -- coming up to the stage for this panel will be moderated by Chip Poncy, of course with Mark Dubowitz, Jennifer Fowler, Eric Lorber and Cari Stinebower.

Welcome.

(APPLAUSE)

CHIP PONCY: Welcome everybody. Can you hear me? All good? Great.

Thank you, Yaya. This is the panel where we get to talk about offense. We had a great discussion on defensive measures to combat efforts of economic coercion by adversaries. This is a discussion about sharpening our tools of economic coercion and the systemic challenges associated with that. We have a fantastic panel. What we had discussed, before coming up here, is the challenge of time.

Each of these individuals is a world class expert across a number of different issues that we're not going to have time to get into much depth on. So, the format that we're going to pursue is to ask each of our panelist to engage in three moments -- three minutes of opening remarks. We'll then pose a question and give each panelist an opportunity to respond to the issues that each of us puts on the table. And then we'll open it up for some Q&A so that we have more of an interactive dialogue with you all. So I hope that sounds OK.

Before we get started, I do want to introduce them. They have much longer bios and -- and accomplishments than we have time to recite. I will say I have had the incredible honor and privilege of working very closely with everybody up here and in particular want to extend welcome and condolences to Eric and Jenn. Jenn's convinced me that she's not a professional football fan, but I know she's from Atlanta. So as with Peter Harrell, extra thanks for -- for -- for showing up today and bright cheery-eyed after a devastating loss last night, Eric. But -- but thank you.

(LAUGHTER)

ERIC LORBER: I'm gonna try to hold it together for this panel.

(LAUGHTER)

PONCY: Hold it together. Hold it together. Eric and I work together at the Financial Integrity Network and he really is a true world-class expert on matters of economic sanctions and statecraft, as demonstrated by his work in pulling together the report that was discussed this morning.

Jennifer is the acting assistant secretary at the Department of the Treasury for the United States and I've worked with her there. I had worked with her there for 11 years. She's a superstar. Great to have you here, Jennifer.

Cari Stinebower I met when I first came to Treasury 2002. She was the architect in many ways of targeted financial sanctions associated with the Kingpin Act in the late '90s, drafted much of that legislative work, was a critical voice in OFAC counsel's office for a number of years in applying those measures and has been in private practice for a considerable amount of time driving this at Crowell Moring. Thank you, Cari.

Mark Dubowitz is a man that doesn't need any introduction to you all. He is the CEO of FDD and the director of CSIF, and it is owing to Mark and his fabulous team that we are all here. So thank you, Mark, again for -- for hosting.

With that, let's get started. I'm gonna ask each of you to just give us three minutes of opening comments on issues that you would like us to think about with respect to playing offense and sharpening our tools on economic coercion.

And I'm gonna start, Eric, with you.

LORBER: Thank you, Chip.

And obviously, thank you to Mark and to CSIF and FDD for hosting this conference.

I wanted to pick up on a theme that Juan mentioned in his conversation with Danny Glaser about the importance of strategic sanctions-unwinding and targeted sanctions-unwinding, because as he mentioned, I think this is an area where we can do a lot more interesting thinking. I mean, over the past five years, we've seen a number of important instances of sanctions unwinding. You have the partial unwinding in Cuba, the JCPOA, you have the Burma unwinding, you have the recent Sudan unwinding and you have the potential for a Russia unwinding.

And in many ways, there hasn't been a lot of serious or as serious thinking about unwinding these tools of pressure as there have been when we've been developing them and putting them in place. And so the report touches on this, in particular at the end of section 2. But I think that there are at least three lessons -- three core lessons, and there are probably many more, that I think we can kind of glean from -- from the past couple of years of sanctions unwinding in what to do and what not to do.

And first, I think, important lesson is that we need to set expectations appropriately. So sanctions are obviously a legal tool, a designation is a legal designation and there's a sense that OK, well if you designate a target as a specially-designated national, once you de-designate that target, then anyone can do business with that person. And while legally, that is usually true, it's also the case that a designation carries a very serious reputational taint with it.

And so even if it's legally permissible to do business with an entity like that, private sector -- many actors in the private sector are going to be unwilling to reengage with those previously designated targets. And so I think that certainly came into play in the earlier days following implementation day of the Iran deal where the Iranians, credibly or not, believed that they were going to see certain levels of sanctions relief that they didn't see because the private sector was understandably reluctant to re-enter -- re-enter Iranian markets.

And so setting those expectations with our adversaries and with our bargaining partners I think is an incredibly important lesson that we've learned from the past couple years.

The second important lesson I think is to think through sanctions-unwinding when you're ramping up sanctions pressure. So obviously, when you're responding to a crisis or things along these lines, there is -- there's not a lot of thought of, "Well, OK, when and how are we gonna unwind these sanctions?" And different types of sanctions can actually be unwound I think easier than others.

I just mentioned SDNs, for example, designations. Those often do carry a reputational taint, particularly in a circumstance where, for example, you designate a target for sanctions evasion or a drug kingpin because many times, that underlying illicit conduct may not have gone away if the reason you're lifting those sanctions relates to a negotiated deal.

A good example, however, of an easier type of sanction to lift would be the Russian -- the Russia SSI program, the Sectoral Sanctions Program, which prohibits particular types of transactions with certain Russian entities, but those Russian entities themselves hadn't really been designated because they're engaged in any illicit -- illicit conduct or underlying activity.

And the third, I think, important lesson that we've learned is that even in the context of strategic sanctions unwinding, there are a lot of opportunities for the United States to continue to pressure our adversaries in ways that will change their behavior. The example here I like to use is the sale of -- of Boeing and Airbus aircraft to Iran under the JCPOA. Now, there's a provision of the JCPOA which specifies that assuming Iran complies with certain terms that the United States has to license the sale of these aircraft to Iran. But it doesn't necessarily mean we have to give up our leverage when providing these aircraft.

So for example, you could structure the contracts in such a way that requires Iran to put fourth all the money for the purchase of the aircraft into an escrow account and deliver the aircraft, say, you know, on a regular basis, once a month or whatever the delivery schedule looks like. And then if there's any indication that a Iran Air in this situation was cheating or wasn't abiding by the strict terms of the license, not only would you cut off -- would you cut off the delivery of the aircraft, but you would also potentially confiscate those funds that are held in escrow.

And in this way, even in the context of sanctions-unwinding, you could try to incentivize many of these companies, Iran Air in this case, to continue -- to cease support for terrorism, cease support for providing goods and services to Hezbollah and for Syrian President Bashar al-Assad. And so I think that there are many instances, even in the context of a strategic unwinding, where we have the opportunity to continue pressure to make actors change their behavior.

So I think those are sort of three broad lessons I've taken from the past couple years looking at this topic.

And with that, I'll turn it back to our next panelist.

PONCY: Thank you, Eric. Insightful as always and lots to -- to follow-up on there with the audience after initial remarks.

Cari, you next.

CARI STINEBOWER: Sure.

So again, thank you for -- for the opportunity to be here. I see a lot of former colleagues from Treasury here and of course here as well. And I think that it's a good illustration of the amount of brainpower that we have both in the government and in the private sector.

So my first point, my first suggestion would be that if we're really going to be -- to continue to be dominant and -- and the best at what we do in the sanctions, anti-money laundering, anti-corruption space for enforcement, then I think what -- what I would call for is a little bit of a cultural change within the -- within OFAC in the sense that when we were there -- when I was there, the cultural attitude was look, you know, we're a little bit of intelligence, we're a little bit of law enforcement. We're facing that community.

Our obligations are not necessarily to the private sector. We've -- we have intelligence things to do, we have law enforcement things to do and the business sector comes second.

What's happened over the -- over -- since I've left the government in 2005 is that the financial institutions, the financial sector, the business sector has grown increasingly sophisticated in its ability not only to detect threats, but to stop it. And so there's a wealth of information that's available in the private sector that I don't think is fully being harnessed, and so the cultural change I would call for is -- is multipart.

The first would be that OFAC accept that the private sector is not necessary adversarial, but -- but is -- is a partner. Think about it, we're all U.S. persons, we've all been deputized in the fight against sanctions, we're the ones carrying the compliance load, so we also have information that's valuable. So -- so let's partner on that. And there's a couple of ways we can do it.

I think if you -- we don't have to reinvent the wheel here, we could look at some of the other -- other models that exist. Peter Harrell was here a few minutes ago talking about, you know, his suggestions for change. I think the reason why we all know Peter so well and why we know other people from the from E.B., from the Economic Bureau at State, is because if you're sitting in the private sector and you have a really difficult issue related to sanctions or you're seeing a new trend in sanctions evasions, you can go to the State Department and you can talk and say, you know, is this an issue? How about this? And -- and there's an engagement there.

You can do the same to a certain degree with the Department of Commerce. If you have a license application that's particularly tricky and you need -- you want to talk to somebody, you want to engage. The Department of Commerce actually lists out their license -- their licensing officers' phone numbers, anybody can see them.

So the cultural change from within OFAC that I would suggest is looking at the private sector as a true partner. And in order to do that, I also think that there needs to be a couple of other changes within OFAC that might be helpful.

The first would be to expand the size of OFAC. There's a reason why it can take, you know, over a year to get a license through OFAC, and it's not for lack of trying, it's that they're really overburdened.

The second would be to consider taking OFAC and its pay scale and moving it towards something like what we see at the Fed or OCC or the SEC where they can actually retain people who are really talented. They can pull people from the private sector that specialize not only in, for example, banking, where, you know, they have their people like Alex Manfull who's been in and out of the government, who's truly a specialist in that area.

But they can start to address -- to address other things like in the broker-dealer space or in shipping or in other areas, insurance, where the sophistication on the -- the part of the sanction parties is getting to the extent where the sanctions evasion is getting harder and harder to detect unless you're actually in the weeds in that business sector. So -- so that would be one suggestion that I would have.

The other, I've already touched upon, which is this concept of information sharing. So taking the -- the concept of Section 314B, so borrowing from the anti-money laundering world and taking the ability to have financial institutions share information with the government, share information with each other, but also to expand it so that it is what everybody had intended it to be right after 9/11 when the USA Patriot Act when into play, to also being nimble enough to pull into the 314 sphere businesses that are not purely financial institutions, maybe in the FinTech sector where they're seeing new trends emerging in terrorist financing or money laundering or sanctions evasion or with respect to ISIS and the way that it profits through the use of free ports and the use of -- of the arts community.

The other component I would -- would suggest in the information sharing sector is -- goes back a little bit to my first, which is -- often times, the private sector is going to be able to come up with ways to deter a new emerging threat and may be able to spot issues or trends before the government can do it. And I think that that dialogue before sanctions go into effect is essential.

So you could do something like the BSAAG, the Bank Secrecy Act Advisory Group. But put it over OFAC and over Commerce and over State so that you actually have a working group.

And there are flashes where this has worked in the past. For example, North Korea sanctions. The March 2016 executive order goes into effect and it's broad, blocking orders. But simultaneously with that executive order there was a very helpful General License No. 5 that walks through activities that are still permissible.

Those activities that are permissible included humanitarian things like providing medicine to people and other things that would protect the NGO activity from cutting off in advance. The only way that that General License No. 5 was issued simultaneously with the executive order was because of that dialogue.

So there are glimmers where these types of things occur. And I would just suggest that in order -- that by ignoring the partnership that really should exist, we're missing the boat with respect to making sure that national security objectives are really fulfilled.

PONCY: Thank you, Cari, insightful as always. And again, a lot on the table there to follow up with.

Jennifer, over to you.

JENNIFER FOWLER: Thanks. Thanks, Chip. And thank you for the invitation to be here today.

I thought I would just outline a few areas where I think we can continue to sharpen our work, our financial tools. And then talk about some of the sort of foundational things at Treasury that are really important to allow us to do that.

The first is obviously sanctions. I think when you look back over the last decade or so at the work that we've done on sanctions, you see that it's been really incredibly innovative. And we have to continue to innovate.

We've moved from a place where sanctions were traditionally you know, comprehensive sanctions to targeted sanctions into an area where they're now more sectoral. And I think that's a little bit of in between those areas. I think that's where we need to continue to innovate.

You know sanctions are going to have to be designed based on what the threat is. And they actually do need to serve a larger policy framework. And that sounds really easy to do, but it's actually quite difficult.

You know especially, as someone mentioned, you know when you're in a crisis situation. Sometimes there's the idea that you just do something and that sanctions can be that thing. But you want sanction strategy that's effective to be driven by a policy framework.

The second are the lesser known tools that are not underused, but don't get as much attention, which are the non-sanction tools. Things like Section 311 advisories and other types of authorities we have to get information from the private sector. And this is where I want to spend a minute.

I mean I think this is really the future is this information sharing between the private sector and the government. It's something that we've been doing a lot more of, and we're learning a lot more about what the private sector is able to do and can do. And it's quite impressive.

You know you have financial institutions that have really gone beyond SAR filing to doing fantastic analysis that really serves national security. And I think that's something as government agencies really need to think more about. And we certainly are thinking about it in Treasury.

We do have authorities like the Patriot Act authorities that Cari mentioned, that are really effective. And I think you're going to see us using those more in going beyond the way we've used them in the past. And I think that's something that -- where we can continue to do better.

The third is something I think Chip would call defense. I think of it a little bit as offense, which is really transparency in the financial sector. You know we have identified by the Financial Action Task Force a vulnerability in our system, which is the fact that beneficial ownership information is not collected, let's say systematically.

The issue here is really providing it to law enforcement. And that's why I see it as an offensive tool. So that's an issue I think we're going to have to grapple with. And you know we can do better.

And the last thing I would mention is just our terrorist financing efforts overall. We had really seen another -- that's another area where things have really, really changed in the last decade or so.

When you go -- when you look at how terrorist financing was happening around 9/11 and it had to do with deep-pocket donors and more traditional places of fundraising. And now we have terrorist threats that have territorial control. And it's an entirely new scenario. And frankly, some of our tools aren't as effective against that.

That's where we have to innovate as well. And I think some of the work we've done in Iraq has been really innovative. And that's where you see us bringing to bear other areas where we have authorities and we can really have an impact, especially where we see the use of exchange houses and others.

So it's a place where we have to continue to evolve with the threat.

And just to -- so with that, just a few words on I think how we get there. And I'll be very biased and focus on Treasury here, and the Office of Terrorism and Financial Intelligence. That's the office I come from. I'm from a policy office within that office, TFFC.

But you know speaking of the broader element of Treasury that has to contend with national security issues, I just think you know first thing is it's really important to continue to invest in that office. You know the way we're able to do all these things is really because of the bright people that have come to work at Treasury, and a lot of them are here, that are alumni of that office.

And that's where the innovation comes in, where people that really, really understand the authorities, have really committed themselves to the mission. And that's where we have to continue to be able to retain those people. I think it's incredibly important. It's not something we talk about a lot, but a really important thing to do.

The -- I want to, you know, say a word about another office within that office, which is the Office of Intelligence and Analysis. This office is -- it represents the only in-house intelligence office in a treasury department globally, in a finance ministry globally. And it's incredibly important. It's -- that work that they do in harnessing intelligence to drive our strategy, to drive the use of our financial tools is incredibly important. And I think that it often goes overlooked.

And the third thing I want to mention is just you know continuing to deepen the partnerships we have with our counterparts on AML CFT globally. You know this is really how we get things done.

It's hard to talk about publicly, but you know when we share information with our counterparts and they act on it, especially in the terrorist financing, that's where you really see impact. And I think that's something we have to continue to do.

We spent a lot of time and effort over the years building those relationships. And of course we're going to continue to deepen them. But it's an important aspect to consider.

PONCY: Outstanding, Jen. Thanks. And again, a lot on the table that we're going to come back to.

Mark, over to you.

DUBOWITZ: Well thank you, Chip.

First of all, honored to be with these folks. Honored to be in front of all of you.

I'm a kind of a Treasury wannabe. I just became a U.S. citizen about a year ago. So every time I go in and I see Stuart and David and Adam and Danny, they kept reminding me that Canadians need not apply until you have your citizenship.

So my background's private sector about a decade before coming to Washington. And since I came here in 2003, really working on Iran-related issues, the Iran threat network and the intersection between that threat network and the use of economic and financial power. So I'm surprisingly, to those who know me, I'm going to talk about Iran very, very quickly.

So whether you support the nuclear deal or you oppose the nuclear deal, I think everybody agrees there's some fundamental flaws to the agreement. And the two most egregious in my mind are the sunset provisions that effectively give Iran a patient pathway to nuclear weapons over time.

So the Iranians actually just have to wait until these restrictions go away. And we've got restrictions going away fairly soon. There's one that's going to be going away in the next six years, and then eight years, and then 13 years most of them will go away.

So the Iranians will emerge with an industrial size nuclear program with nearly zero nuclear breakout. They'll have an advanced centrifuge powered clandestine sneak out. They'll have an ICBM program. And they'll have an economy which may be twice the size of the economy that we see today, which would be $800 billion to $1 trillion economy.

So the fear I have, of course, is that the Iranians will just wait us out. They'll end up with this huge nuclear weapons capacity and ICBM to actually deliver weapons at a time of their choosing.

And perhaps an economy that is immunized or increasingly immunized against our ability to use financial power. The question is what do we do about that today to get ourselves out from under it? And I've been, certainly on record, we should not abrogate this deal, we shouldn't cancel this deal, we should strictly enforce this deal.

But from a sanctions perspective, I mean the prior administration actually did give this administration some very useful tools. And those tools revolve around the Revolutionary Guards. And it's worth saying this over and over again, the JCPOA does not preclude the use of non-nuclear sanctions.

And that certainly is very clear from the Obama administration's record on this and the Trump administration has reinforced this. So, the Revolutionary Guards are very much, in my view, the centerpiece of our new effort to try and address fundamental flaws of this agreement, lay the predicate for -- for negotiating a follow on agreement.

And more importantly, punishing and deterring the kind of conduct that we've seen Iranians involved in. Conduct that's actually become even more malign since the nuclear agreement, in terms of support for terrorism, missile tests, hostage taking, human rights abuses, support for Bashar al-Assad, et cetera.

So, the centerpiece -- my recommendation would be the centerpiece of a new framework on financial power, would be the Revolutionary Guards. I think we should, right away, designate the Revolutionary Guards as a terrorist organization, either as an FTO or under Executive Order 13224.

They're clearly a terrorist organization; that message should be sent to the private sector. And then, we should see a -- and I know, Jenn, this -- this will give a lot of work to you and your colleagues, but -- a significant increase in the number of IRGC designations. Until Friday, there were only 52 IRGC persons or entities that were designated.

And that's through two administrations. And so, we saw another eight on Friday, so we're up to 60. FDD and CSIF have put together an open-source database; we're over about 850 IRGC entities and we've qualified for designation the 50 percent threshold. And I'm sure that there are thousands more that we haven't been able to access.

So, my recommendation is designate the IRGC as a terrorist organization, significantly increase the number of IRGC designations for non-nuclear aligned activities. I would then go further -- and this may raise some eyebrows in the room -- I think we should look at lower the designation threshold from 50 percent to 25 percent to bring it in accordance with U.S. beneficial ownership rules.

Obviously that would increase the number of IRGC targets. So, whether you're for the deal or against the deal, whether you believe that there's an opportunity for moderation in this regime or not, I think we can all agree the Revolutionary Guards are a malign actor and the United States should look at reconstituting a financial sanctions regime; a non-nuclear sanctions regime that targets the Revolutionary Guards.

PONCY: Fantastic, thank you, Mark. Well, I think you -- you -- the four of you have indicated what I said earlier, which is that time is going to be the enemy here. I'm going to ask three questions for the panel to respond to and then we're going to open it up. And feel free, obviously, to respond to one another and what you all have put on the table.

But the three that I want to ask that respond to some of the ideas that you all have already -- have already offered. One is building capacity. Jennifer, I couldn't agree more with what you said about the need to invest in this space. We used to say that when I was a treasury and I'm sure you all were saying the same thing.

That if you remember nothing else as a treasury official, no matter where you are in the building and you're speaking on these issues and you're speaking to a foreign partner, tell them they need to build TFI because we need foreign partners who really understand these issues and how the capacity to partner with us in addressing threats through economic and financial measures.

That was -- that was -- was a key talking point. And the question for the panel is do we want to do that with everyone? And if not, why not? And if so, how do we do it? Jenn, you and I started on a road show 15 years ago building capacity in the E.U. on sanctions regimes post 9/11.

But those questions have changed, so that's a question to think about. A second one is the use of positive economic power. I hope Amit is still here. Amit Sharma , who contributed to the -- to the -- the transition report that Eric pulled together particularly on this point.

Where we haven't spent enough time, I think and as the report lays out, on areas of positive economic power where we can strategically invest in areas that show carrots and benefits of our economic power in heightening transparency and facilitating cooperation, undermining corrupt elites, et cetera.

How do we use positive economic power in this framework? And the third is just the narrative. Mark, you touched on this. How do we -- how do we re-capture a narrative around the objectives of using economic statecraft in a way that wins hearts and minds of the roles and the stakeholders that we're going to rely on, whether it's banks or whether it's finance ministries or regulators or customers, so that they understand the importance of these issues and are -- are more able to assist in meeting the objectives of whatever the campaign may be. A lot of that is through the partnership security that you mentioned.

So, with that, let me just ask if you can -- if you can pick one -- because I know we're short on time, so just pick one of those three -- and give us a -- a -- a one or two minute response on that.

I'm going to go down the line. Jen?

FOWLER: So, I think your first question was about building capacities.

PONCY: Yes.

FOWLER: Yes, I think we absolutely should continue to build capacity with our foreign partners. And I use the turn, you know, AML - CFT counterparts. And I use that loosely because the reality is your counterpart when you do this job can be in lots of different places in a foreign government.

Sometimes it's security services; sometimes it's treasury -- you know, the finance ministry; sometimes it's the central banks. It just depends. Sometimes it's a foreign ministry. So, you know, and we have the luxury -- and we know we do -- that we have great resources and I have a job where I can completely focus on AML - CFT issues.

And a lot of my foreign counterparts don't have that. So, I think investing in that expertise doesn't -- I don't see a downside. It's tough though. You know, governments have a lot of resource constraints and -- and getting that -- getting governments to build this kind of capacity is -- it has been challenging.

But it is something that we continue to try to do and I think we're going to continue to do.

PONCY: Thanks, Jen. Cari?

STINEBOWER: So, I think on the hearts and minds thing it's -- it's a little bit of what Jenn was talking about with capacity building and getting a level playing field. But

I think that the -- from the financial institutions perspective and this whole concept of de-risking that we're seeing, the stick is there.

So, the carrot would be maybe some more give and take information sharing, as I'd suggested. But also, working toward getting allies across the board to level up the playing field because it -- it -- it is expensive right now to be a business that operates in the United States and aboard.

If you're a multinational corporation, you've got to spend a lot of money on the compliance function. And what that means is that you're not necessarily going to get the $10 billion fine if you can prove with 20/20 hindsight that you had a risk-based compliance program and you had a cultural -- the appropriate cultural sensitivity with respect to -- to wanting and needing compliance.

But what we're also seeing is that a lot of businesses are running away from opportunities and running away from business. They're de-risking because they see that there's not necessarily coordination between the bank regulators, for example, law enforcement, Department of Justice, treasury and -- and necessarily colleagues overseas.

So, they're all from the regulator perspective. So, I think that if -- if we really do get a dialogue going that works within the United States between the private sector and then the government agencies and then use that as a model to start working with the same capacity building overseas, what you'll end up with is a level playing field with people working together instead of at odds with each other.

And it also makes it more difficult for the companies, because there always will be those, to cheat because there'll be -- there'll be more eyes and more of a -- of an incentive around the world on the people that are going to cheat.

PONCY: Fabulous. Thank you, Cari.

Eric?

LORBER: I'd like to follow-up on that one too, how do we sort of recapture that narrative and I do think it's a better coordination issue.

So when I tell people I'm a sanctions and AML consultant, the first question they always ask me is oh, so you help financial institutions avoid U.S. sanctions, right? And my response is always you don't really understand the perspective of most major financial institutions. It's not how do we get around what U.S. rules and regulations are. It's always we wanna comply, but it's hard for us, we don't really understand what we have to do, and frankly, the resources that we have to spend to set up really effective compliance systems are absolutely tremendous.

And so I think that going back to Cari's earlier point about setting up types of systems that can be used for better coordination between the public and private sector on this point is absolutely critical.

So in the report, we have a -- you know, an idea, a nod to -- an idea of an economic sanctions advisory board, where there's coordination between certain key members of industry that work -- that are particularly affected by sanctions. So individuals in the insurance industry, the financial institutions, et cetera, to work with OFAC, state, and other senior folks at NSC and Commerce to try to better coordinate this.

And I will say that to TFI's credit and OFAC's credit, they've gotten much, much better with this. I mean, there's been a lot of coordination, particularly in the circumstances related to the Iran unwinding and related to the Russian sanctions SSI program.

But I do agree that there definitely still can be more done to recapture that narrative.

PONCY: Thank you, Eric.

Mark?

DUBOWITZ: So Chip, real quickly, one is on capacity and I think somebody who spent time in the private sector and is still a guest in the private sector, these entities, organization centers not only like CSIF, but you know, Liz Rosenberg's running a great center and CNAS and Matt Levitt and Kate Bower at the Washington Institute.

And C4ADS, Gretchen Peters is doing great work. You've got so many people in the private sector who have this experience, can bring in a unique perspective and can also operate in the world of open source intelligence, which obviously, is very useful. So the ability of Treasury and other agencies in the U.S. government to leverage those centers and -- and organizations on the outside.

In terms of the narrative, I know you were talking about sort of the target audience, here. But I wanted to go to the target audience in-country and I've been giving a lot of thought all these years to the target audience in Iran. You know, these are the people the average Iranian who has been, in some respects, the target of these sanctions unwittingly.

We don't -- we don't mean to target the average Iranian that we're clearly going after the regime and the revolutionary guards, but they bear the economic brunt of this.

One -- one idea I have and I think this is something the administration should consider as it begins to ratchet up the economic pressure on Iran is to really focus on corruption in -- in Iran. You know, so much of Iran's wealth is being stolen by the supreme leader through his holding company, Setad, through the revolutionary guards or the Bonyads. I mean, so the great wealth of Iran, which is a great country that has such potential, has been stolen by the regime.

We have a great opportunity now with the Global Magnitsky Act to actually begin to target elements within the Iranian regime for corruption. There's humanitarian corruption provisions in -- in IFCA, which was passed as -- as part of the NDAA 2013 for humanitarian diversion and FCPA. And we can begin to really use some of the tools to target the corruption in the regime and begin to actually potentially free up some of this wealth that has been stolen by the regime for -- for use on behalf of the Iranian people.

PONCY: Great thoughts from the four of you, thank you.

We've got about 10 minutes or so, so I wanna take, if I can, at least one round of three or four questions. If we have time, we can come back for a second.

So let me -- let me start first with this gentleman right here, please. We have a microphone coming in, so just give us a second. Thanks. If you can again just identify yourself...

QUESTION: It's Joe Pinder with Financial Services again...

PONCY: Good to see you Joe.

QUESTION: Yeah, good to see you, Chip.

Cari and Jenn, you both talked about bringing in the private sector information. I wanna -- wanna float something out for the four of you. We talked a little bit in the -- in the taskforce last Congress about trade-based money laundering. And one of the things that -- that really struck all of us is that there's not really very good sharing of -- of import-export information, even on real time even within the United States government or there's no trade transparency unit with any of our G7 countries except in the last two weeks, I think, with -- with the U.K.

That's an incredibly easy way for terrorists to move money, illicit finance from whatever source and we don't do a very good job, our partners don't. And I wonder what you all have to say about where we could go from here?

PONCY: Thank you, Joe.

I'm gonna take two more.

Can I have this gentleman over here in the front with the red tie? Thanks.

QUESTION: Thank you very much. My name is Anders Åslund and I'm from the Atlantic Council.

Jennifer Fowler mentioned the problem with anonymous companies. But we also have anonymous money transfers. I read to my surprise, in Wall Street Journal, that law firms let the attorney-client privileges cover vast money flows that they assess at tens of billions of dollars each year which are bypassing the bank regulation.

My question is simply can you do something about it? Thank you.

PONCY: Thank you, Anders.

If you go in the back, we've got two in the back. We'll take those two and then we'll -- we'll come back to the panel. Thanks.

QUESTION: Thanks very much, Brad Brooks-Rubin from the Enough Project.

I wanted to pick up on some strains from a few of the speakers. We work on corruption and conflict in five countries in East and Central Africa that often struggle to kind of get at the highest echelons of the policy priority, so we think about the creative policy tools that a couple of folks mentioned. And I want to try to pick up on those.

Eric talked about transparency in unwinding and we had the example of the Burma Responsible Investment Reporting Requirements that were generally deemed to be successful, I think, fairly well across the board but haven't been picked up on in the Iran and Sudan cases. And I wonder if you could reflect on that?

And -- and Jennifer talked about sort of 311 and other -- you know, there are five special measures, but only really one has been used. And -- and I wonder if there is potential for the -- in other policy areas, for these other special measures to be used as a way of just generating greater amounts of information and transparency that can ultimately get at the kind of corruption that Mark was talking about?

PONCY: Fabulous, thank you, Brad.

And then this gentleman, thank you, this is the last one we'll take.

QUESTION: Just speak into it? Got it, thank you. I'm Sandy Spector with the James Martin Center for Nonproliferation Studies.

I understand that at the upcoming plenary of the Financial Action Task Force, there's an effort underway to try to expand the requirements, the FATF requirements regarding proliferation finance so that it will be not simply the requirement to implement U.N. Security Council sanctions that are targeted on individuals or entities, but to go more broadly to look at some of the other requirements of the Security Council sanctions, especially apropos of North Korea with regard to banking relationships.

I also understand there's some push back from American allies. And I wonder if you could comment on that?

PONCY: Thank you, Sandy.

Those are four great topics. So I'm gonna ask our panelists just to -- if you can choose at least one of them, and if we miss any we can circle back. But we'll go right down the line again. We've got foreign capacity, trade-based money laundering and trade transparency. And it's from Joe. Joe, thank you for that. From Anders, anonymous companies and money transfers through law firms and escrow accounts in particular.

From Brad, we have anti-bribery and corruption issues associated with sanctions-unwinding with Iran and Sudan and the comparison to Burma and 311 measures, that may be short of measure five that we may be able to enlist. And from Sandy, FATF requirements on WMD proliferation finance and where that might be headed with FATF.

Jenn, over to you first.

FOWLER: Well, I'll take Joe's question, which was the first one. Thank you for the question.

I think -- I actually think FinCEN’s done some really innovative work on this issue using the authorities I mentioned, the 314 authorities where it's not so much a request for information, but giving more contacts to the TBML issue and providing, you know, more contextual information and briefings to financial institutions. So that could be an area that expand.

I can't comment on the TTU situation, but I do agree with you, the TBML issue is something, you know, we should focus on and continue to see where we can be innovative.

PONCY: Cari?

STINEBOWER: OK. So I'll do two really quickly.

And following up on Jen's comments with Joe on the trade-based money laundering, I think that that goes to my opening statements in the sense that the private sector, particularly in the emerging markets and fintech, in the art field in particular, they're not traditional financial institutions by any means. So they don't fall within the section 314 provisions.

They've got -- they're seeing a lot of trade-based money laundering. It's a group of communities that are sort of coming together, sort of the concept of an epistemic community where you take different sectors and you come together to solve a problem. They're almost doing it organically and the missing piece is the partnership with the government.

So I think that in that space, for sure, there is trade-based money laundering. I think that we're seeing it both at the state enterprise level and at -- groups like ISIS. So again, I would just say that more dialogue needs to occur because there's an interest and a willingness on behalf of the private sector to do it.

On the law firm question, I think everybody who wants to read how it can happen should read the civil forfeiture complaint against the "Wolf of Wall Street". It's a fascinating read. On the law firm side of things, I happen to be a member of the American Bar Association Gatekeepers Task Force and our mission really, is to protect U.S. lawyers from money laundering terrorist financing.

So to that end, we've been working with Treasury, we've been working with other government agencies to come up with best practices, the theory being that lawyers have obligations to comply with the law and if -- part of what we should be doing internally is having a robust conflicts process that not only looks for conflicts when we're bringing in clients, but also looks to make sure that they're not on the SDN list either on the 25 percent level or the 50 percent level.

That said, I think there's a lot of room for improvement. Some law firms are doing it, but not all. And the mission of the Gatekeepers Task Force is to make sure that every lawyer out there is doing that so that we can protect, as gatekeepers, the system -- the financial system from the money laundering terrorist financing threat.

LORBER: So I'd like to follow up on the first question from Joe and then also the question from Brad from the Enough Project.

So Joe, to your question, I just wanted to echo Cari's comments about -- so the really important link here is between the private sector and the government because you're actually seeing certain private sector developments designed specifically to deal with trade-based money laundering in the Fintech space. I mean, you know, the blockchain money ledger everyone's concerned or there's a lot of talk about blockchain money laundering or sanctions evasion occurring with the technology.

But one of the major areas where banks are actually coming together and developing tools to increase transparency using blockchain surrounds this entire idea of trade-based documentation and trade-based transactions. So, I think that's one area where I think you're seeing Fintech play a major role in reducing compliance risks.

Brad, to your question about transparency and whether or not the types of programs, the reporting requirement that was set up in the Burma context was successful, I do think it was successful and I think that you could employ a very similar type of system, particularly in -- in situations such as Sudan where U.S. persons are now broadly allowed to conduct transactions in Sudan as of the end of the Obama administration.

And I think that actually adds another layer of sort of due diligence that companies will have to pay attention too. Not only are there still certain legal requirements, for example not being able to do business with SDNs who may be operating in Sudan, but there are also CSR, corporate social responsibility requirements, that would be even stronger if you're required to provide information about the types of activities and the counter-parties you're engaged with in a previously sanctioned jurisdiction. So, I think it's a great idea.

PONCY: Mark?

DUBOWITZ: Chip, I know time's up, so really, really quickly just in terms of transparency, and again, in the Iran context you can apply this to other issues. I think it'd be very useful for example for U.S. government to maintain an IRGC watchlist, whether that's the Treasury Department, State Department or Congress. But again, having an IRGC watchlist of IRGC entities and front companies, shells that don't meet the 50 percent threshold designation or even if we revised the -- to the 25 percent designation threshold, I think it would be very useful to begin to put together an IRGC watchlist.

And in connection with that, again, in terms of transparency and helping the private sector, in terms of avoiding these bad actors, regular reporting on segments and sub segments of the Iranian economy that are dominated by the revolutionary guards or where the revolutionary guards has a great of influence.

So again, not just the SDN list we would check against, but a regular series of watchlists and reports that give private sector actors a sense of the IRGC dominance of key strategic sectors, Iran's economy. But also give people the sense of where in the Iranian economy you can actually do business, where you're not going to have to deal with the revolutionary guards or the clerical establishment or the supreme leader's holding company.

PONCY: Fantastic.

I know we're out of time; I'll take two minutes to just sum up. One; Sandy , I'm sorry we did not get to your question.

Let me just say I'm going to plug in for how great Jennifer Fowler is. When I left the government in May 2013, Jennifer took over a lot of roles, some of which I did, some of which I did not. But one role that she took over was to co-chair the policy working group at the FATF and in the very next plenary, something that I couldn't get done in two years, she did in three months, which would consolidating guidance on combating proliferation finance, which is outstanding even now looking back at June 2013 that people don't understand or read.

Start there and then I think your questions are great questions. I don't have answers, but if everyone read that guidance and did that, we would be much further ahead than we are now. So that's one.

On the sum up, three points. One, that we look at investment in this space and continue to encourage our partners, our stakeholders, our counter-parties, our work associates to invest in economic statecraft and financial integrity. This is a field that is exploding, and as difficult as it is, the options outside of this are more difficult. So it's important that we continue to focus on this.

Second, as we focus on it, that we continue to consider the breadth of issues that are captured in the transition report put out by CSIF, and that includes not just issues of targeted sanctions, it includes underlying financial transparency.

Jennifer, I agree with you it's offense, we don't know who's in the system, you certainly can't target bad actors in it. It includes issues of positive economic power. And of course, it includes protecting where we have vulnerabilities in our system from foreign intrusion.

So, please stay focused on these issues, remember the breadth and scope that these issues encompass, and finally, support CSIF. The entire intent of that think tank is to create a platform that elevates the visibility of these issues. Not everyone is going to agree on all of these issues. They're difficult, they're complicated, but we can agree that they have to be elevated, they have to be better understood and that doesn't happen without your support.

So, with that, thank you and look forward to the next program.

(APPLAUSE)

END OF PANEL