



U P D A T E

SAUDI ARABIA: WAR ON TERRORISM

## BANKING AND FINANCE

One of the most effective weapons in the fight against terrorism is the ability to choke off its financing. Terrorists have learned that one way to finance their operations is by siphoning off funds from contributions meant for humanitarian relief and development projects. Of particular concern to Saudi Arabia are the donations received and distributed by charitable organizations, because charitable giving is one of the basic tenets of Islam. The regulations governing the dissemination of large funds to those in need must defend against the possibility of misappropriation.

As early as 1995, we set up units to counter money laundering at the Ministry of Interior, in the Saudi Arabian Monetary Agency (SAMA) and in our commercial banks. More recently, Saudi Arabia has established a High Commission for oversight of all charities, contributions and donations, as well as a special Financial Intelligence Unit to ensure that funds are not misdirected into the hands of those who would use them to harm others. These regulatory and supervisory agencies have identified potentially problematic activities and enacted a number of changes. For example, no overseas fund transfers are allowed directly from charitable bank accounts, and no ATM cards or credit cards can be issued for these accounts.

We have adopted some of the toughest financial control mechanisms in the world to ensure that our generosity and religious practice cannot be abused. Our nation has completed and submitted two Financial Action Task Force (FATF) self-assessments; one regarding the 40 FATF recommendations on the prevention of money laundering and the other regarding its eight special recommendations on terrorist financing.

Our vigilance has resulted in specific and verifiable actions including:

- In August 2003, the Council of Ministers approved new legislation that puts in place harsh penalties for the crimes of money laundering and terror financing. This legislation stipulates jail sentences of up to 15 years and fines of up to \$1.8 million for offenders.
- In May 2003, the Saudi Arabian Monetary Agency (SAMA) instructed that questionable money transfers be stopped. An update was distributed entitled 'Rules Governing Anti-money Laundering and Combating Terrorist Financing' requiring the full and immediate implementation of nine new policies and procedures.

- In May 2003, Saudi Arabia asked the Al-Haramain Islamic Foundation and all Saudi charities to suspend activities outside Saudi Arabia until mechanisms are in place to adequately monitor and control funds so they cannot be misdirected to illegal purposes.

- In February 2003, SAMA began to implement a major technical program to train judges and investigators on legal matters involving terror-financing and money-laundering methods, international requirements for financial secrecy, and methods followed by criminals to exchange information.

- In March 2002, the U.S. Treasury Department and Saudi Arabia blocked the accounts of the Somalia and Bosnia branches of the Al-Haramain Islamic Foundation. While the Saudi headquarters for this private charity is dedicated to helping those in need, it was determined that the Somalia and Bosnia branches supported terrorist activities and terrorist organizations such as Al-Qaeda and AIAI (al-Itihaad al-Islamiya).

Increased oversight and international cooperation have also enabled Saudi Arabia to identify and freeze some 41 bank accounts with suspected links to terrorism. Together with the United States, we have taken steps to freeze the assets of a close bin Laden associate and aide, Wa'el Hamza Julaidan, who is believed to have funneled money to Al-Qaeda.

Saudi Arabia will continue to accelerate its counter-terror activities in coordination with the international community in the War on Terrorism.

*"Charitable funds can no longer go outside of Saudi Arabia without strict government oversight and control. We have closed the door on the possibility for charitable giving to be misappropriated for illegal purposes."*



**Prince Bandar bin Sultan, Ambassador of Saudi Arabia to the United States,**

June 12, 2003

*"Their [Saudi Arabia's] close oversight of charities to guard against money laundering and terrorist financing sets an example to all countries engaged in the war against terror."*



**John W. Snow, United States Treasury Secretary**

September 17, 2003



THE PEOPLE OF SAUDI ARABIA  
Allies Against Terrorism

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